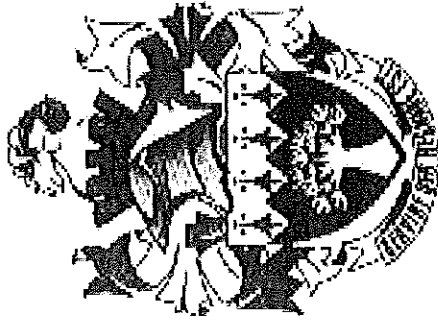


# XHAH-MA MUNICIPALITY



## ANNUAL REPORT

2009/2010

## CONTENTS

	Page
1. Vision and Mission	3
2. Foreword by Mayor	4
3. Overview by Municipal manager / Oorsig van die Munisipale Bestuurder	5
4. Main Objectives	6
5. Priorities	6
6. Performance Areas	
6.1 Service delivery	7- 14
6.2 Institutional development and Transformation	14- 22
6.3 Local Economic Development	22- 23
6.4 Financial Viability and Management	23
6.5 Good Governance and Public Participation	23- 24
ANNEXURES	25
ANNEXURE A Employment Equity Report	26-37
ANNEXURE B Financial Statements 2009/2010	
ANNEXURE C Audit-Report 2010	

# Vision

*Khâi-Ma Municipality's vision is to ensure effective and high quality services to all inhabitants, improve the living standard of all inhabitants and the establishment of a favourable climate for investment to accomplish economic development;*

# Mission

*Khâl- Ma Municipality will serve the communities in its jurisdiction by rendering affordable services and sustainable economic development through good, transparent local government and aggressive implementation of the Bathos Pele Principles.*

## VOORWOORD DEUR BURGEMEESTER



M. Bruinjies- Groenewald

Dit is vir my 'n eer om die jaarverslag vir die 2009/2010 finansiële jaar aan u voor te hou, veral as ons terug kyk na 'n jaar van beplanning, menige ure se hardewerk en gebondenheid, wat op die lang duur net beloning sal beteken. Die fokus was meer op dienslewering veral met die probleme wat met die voorsiening van basiese water, elektrisiteit en sanitasie, veral te Onseepkans en Witbank. Die gesukkel om MIG- projek (Pofadder- Pella waterpyplyn) te implementeer is uit die weg geruim, maar sal eers behoorlik in die volgende finansiële jaar aangespreek kan word.

Ekonomiese ontwikkeling in hierdie munisipale jurisdiksie bly steeds 'n groot uitdaging, maar weens die afwesigheid van sleutelpersoneel was dit moeilik om dit aan te spreek. Die hulp deur Departement van Ekonomiese Sake en Finansies aangebied was beperk. Gevolglik kon die Munisipaliteit slegs twee werkskeppingsprojekte, waarvan een (herseëling van strate) in die volgende finansiële jaar voortgesit is, bestuur. Die potensiaal in toerisme en landbou is nog nie ten volle ontwikkel nie. Voorts word hardgewerk om Black Mountain Minerals se Sosiale en Arbeidsplan te laat realiseer. Die opvoedingstrust is gestig en gereed om sy doel te dien. Sonkragenergie is deel van ons beplanning, want dit kan bydra tot 'n ekonomiese inspuiting. Gesprekke met voornemende maatskappye was gedurende die jaar gevoer. Armoede sal dan op hierdie wyse aangespreek word.

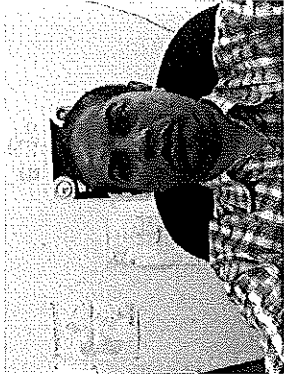
Die Sokker Wêreldbeker 2010 wat 'n massiewe belegging vir ons land was, het nuwe lewe tot die sport op plaaslike vlak gevoeg en kan verder tot die verbetering van ons lewensstandaarde bydra.

Huisvesting het agterweë gebly weens die probleme wat ondervind is met die implimentering en die bou van 384 huise.

Die Khai-Ma Kersliggiefees was 'n sukses en het ons plaaslike kunstenaars (Noord Kaap) blootstelling gebied.

Namens die Raad bedank ek die gemeenskap en personeel vir hul bydrae, toegewydheid en lojaliteit.

## OVERVIEW BY ACTING MUNICIPAL MANAGER



Every year in the future will be better as the needs of the communities in the Municipality's jurisdiction are addressed. The Municipality entered into stability with the council being active again after the interruption during the previous year. All service points were operating and inhabitants had access to services. However, since top positions in the organisation were vacant with only one section 57 being filled the execution of duties was handicapped. More staff, especially in the Corporate service and Local economic development are needed to ensure that all functions are executed properly. However, this is only possible with the municipality's cash flow improved.

Basic services were delivered to the inhabitants in the municipality's jurisdiction, but there is still room for improvement. The water supply at Onseepkans (Melkbosrand and Vlijoesdraai) and Witbank need attention, while sanitation services in all communities were not delivered properly. Sewerage is removed with trucks at all communities and since the households are growing the costs on this service are increasing. The erection of sub-economic houses is still on halt pending on the confirmation of the appointment of the supplier and contractor. The Witbank community still does not have access to electricity and at Onseepkans the power supply is not on standard. The provision of electricity in both communities is essential.

Local economic development also came to a still stand due a vacancy. No permanent jobs are created.

The absence of job descriptions need to be addressed for a higher moral amongst the staff members. The MIG- and the housing projects is still a big problem and need urgent attention.

In conclusion, this municipality have to improve with service delivery and development in order to satisfy its community.

### **Main objectives**

- (i) Provision of sustainable services to the inhabitants and maintain existing resources;
- (ii) Develop Khâi- ma Municipality as institution through transformation and capacity building;
- (iii) Promotion of local economic development through poverty alleviation, job creation, empowerment of the previous disadvantage people with capacity building in business skills and establishment of a climate for investment.
- (iv) Promote Sound financial management and Viability

### **Priorities**

- (i) Services Delivery
- (ii) Institutional Development and Transformation
- (iii) Local Economic Development
- (iv) Financial management and Viability
- (v) Good Governance and Public Participation

## **1. SERVICE DELIVERY**

### **1.1 Basic Services**

Basic Services were rendered to all households at all communities except in the case of Aggeneys which is a mining town and currently responsible to deliver services to the community.

#### **(a) Water**

All households have access to potable water. The water supplying systems at Onseepkans and Witbank need to be upgraded, since the households, which are situated higher struggle to get water in the summer time, especially when the consumption is higher. Water consumption is in general high since households which are registered as indigents consume more than the quantity of 6 kiloliter with no limits. Feasibility studies have been done for all the communities by Kwezi V3 in during financial year and the reports was submitted to the Department of Water Affairs. This municipality participated in the Blue Drop System, but the quality of the potable water is still a concern.

#### **(b) Sanitation**

Sanitation is a big challenge. Refuse was removed at all communities, but was not done efficient at Onseepkans due to the absence of staff and the conditions of vehicles. Landfill sites need to be upgraded since the fences of the existing sites are removed by inhabitants which left the environment polluted as paper and plastic bags are spread all around. Inhabitants dump also refuse anywhere in the community and near the landfill site which creates an untidy condition. The records of this municipality do not show any buckets to be removed, though a backlog on toilets.

Much overtime was spent to remove sewerage from septic tanks at all communities. Two sewerage trucks were utilised to render this services which will grow within the next financial year. A third one is old, not in a good condition and need to be repaired from time to time. Since some septic tanks need to be emptied daily, this service needs to be upgraded at Pofadder and Onseepkans by extending the existing sewerage systems. An application for the extension of the Pofadder sewerage system was submitted to the MIG- Fund, but is not yet registered.

The oxidation pounds need to be fenced for cleaner and saver service. Currently the pounds are open for children to swim in it and goats of emerging farmers are also found into it.

#### **(c) Electricity**

All the inhabitants except for the community of Witbank had access to electricity. The community of Witbank waits for the promise of electricity in the 2010/ 2011 financial year. At Onseepkans the inhabitants are still in the dark outside since the capacity of the power supply is low and the high mast lights are not functioning. Escom promised for the past three years to upgrade the supply, but did not fulfil its promise yet.

The tables below show how the different communities benefit from the services rendered and figures of provision and losses.

(i) Access to service delivery

Community	Households %	
	Basic Service	Intermediate Full Level
Pofadder	90	10
Pella	90	10
Onseepkans	80	20
Witbank	80	20
Aggeneys	Black Mountain as mining company provides all basic services to employees and their families.	

(ii) Provision of services and Losses

Services	Purchases	Sales	Losses	% losses
Water	578,960	469,660	109,300	19
Electricity	4,718,582	4,099,820	618,762	13

## 1.2 Free Basic Services

Free Basic Services were rendered to all indigents in the municipal jurisdiction regulated by an indigent policy, which provided support for households with an monthly income less than the total sum of two state grants.

The indigents amount up to 77 percent of all consumers.

(i) Free Basic Water

The limit for free basic water is 6 kilolitres.

Community	Total
Pofadder	633
Pella	541
Onseepkans	351
Witbank	80

(ii) Free Basic Electricity

The limit for free basic electricity is equal to 50 kW.

Community	Total
Pofadder	597
Pella	421
Onseepkans	227
Witbank	0
Total	



No free basic energy or alternative energy is provided to the Witbank community and the matter must be addressed.

(iii) **Backlogs on Basic Services:**

**Water and Sanitation**

Community	Water	Sanitation
Pofadder	48	48
Pella	48	103
Onseepkans	40	45
Witbank	17	17

**Buckets**

Community	Total
Pofadder	Nil
Pella	Nil
Onseepkans	Nil
Witbank	Nil

*Note: The need for sanitation is growing. Consumers do not favour the dry system and want rather flush systems. It is possible that new consumers use buckets awaiting for toilet facilities.*

**Electricity**

Community	Backlog
Pofadder	50
Pella	0
Onseepkans	53
Witbank	77
<b>Total</b>	<b>180</b>

**Refuse Removal**

Community	Total
Pofadder	0
Pella	0
Onseepkans	0
Witbank	85
<b>Total</b>	<b>85</b>

### 1.3

#### Infrastructure Services

##### (i) Water

- New consumers are connected to networks on application from time to time.
- The Pofadder Bulk Water Project (upgrading of the Pella- Pofadder Pipeline) is in the planning phase. Several breakdowns at Pofadder network were restored.
- The water system at Witbank is not efficient for the provisioning of potable water. During the first six months water was transported per tanker from the river to the purification system.

##### Challenges

- ★ Upgrading of Pofadder Bulk Water Pipeline and reticulation networks;
- ★ Upgrading of Witbank Bulk Supply
- ★ Storage and alternative water resources;
- ★ Improvement on blue drop program.

##### (ii) Electricity

- The reticulation network at Pofadder is old and need to be upgraded.
- The capacity of the power supply at Onseepkans is very low and causes that high mast lights is not functioning.
- New connections for consumers at Pofadder, Pella and Onseepkans were done on application. ESCOM supply electricity at Pella and Onseepkans
- The delay in the housing project cause delay in provision of electricity to the inhabitants of Pofadder, especially since it was provided by NERSA.

##### Challenges

- ★ Witbank still need access to electricity;
- ★ Upgrading of power supply at Onseepkans and The reticulation network at Pofadder.

##### (iii) Sanitation

- The fences of the oxidations dams and landfill sites at Pofadder, Pella and Onseepkans were removed by inhabitants which creates pollution of the environment near the sites. In the case of Pofadder waste is dumped at any place near the site and even on streets corners and public places.

##### Challenges

- ★ A Landfill site for Witbank;
- ★ Rehabilitation of landfill sites at Pofadder, Pella and Onseepkans
- ★ Fencing the sites;
- ★ Clean up of areas close to the sites
- ★ Upgrading of the sewerage systems at Pofadder and Onseepkans;
- ★ Participation in Green drop programme

##### (iv)

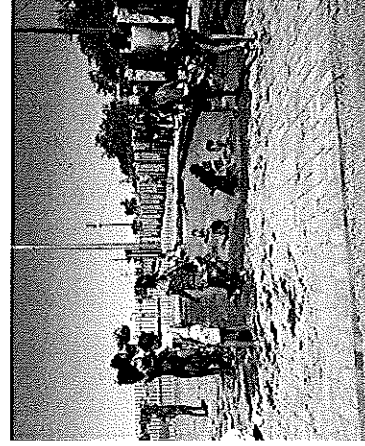
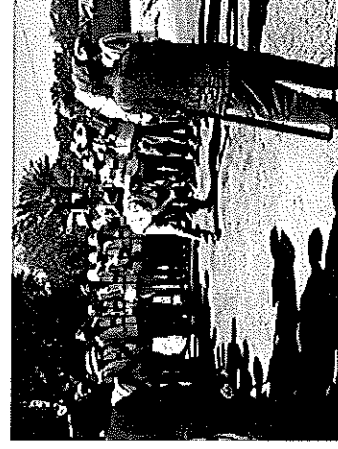
##### Streets, Parks and Sport and Recreation facilities

- Streets at Blyvooruitsig, Pofadder, Pella, Onseepkans and Witbank consisted of gravel and cannot be maintained due a lack of funding; pictures below
- The tarred streets at Pofadder were partly resealed

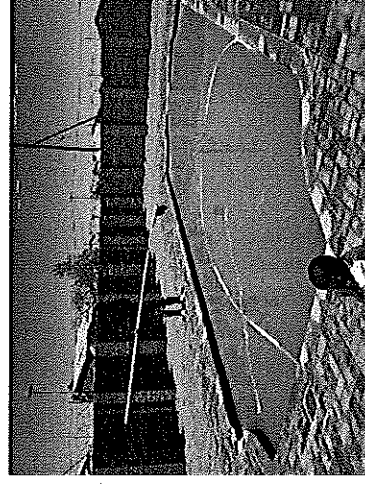
- An application for storm water drainage was submitted to the MIG- Fund, but not yet registered.
- Sport facilities at Pella, Pofadder were vandalised. Funds to repair these are needed.
- A swimming pool at Blyvooruitsig was opened during December 2009 after it was not in use for about three years. Funding to replace the pool was obtained from the Black Mountain Social Plan. Pictures below



Engineer train workers



Children enjoy the water at the opening day



Municipal worker cleans the pool

#### Challenges

- ★ Curbs for the existing tarred streets;
- ★ To provide swimming facilities for other communities;
- ★ Existing tarred roads at Pofadder need to be resealed.
- ★ Upgrading of Sport and recreation Facilities

#### (v)

##### Housing

Only four (4) houses- Pella (3) and Pofadder (1) were built during the financial year through the 16 days of Activism- programme. The project of 384 houses (Pofadder- 100; Pella- 100 and Onseepkans 184) could not been built, delayed due to challenges in appointing the supplier and contractor.

The backlog (as per IDP) which amount up to 950 houses increased.

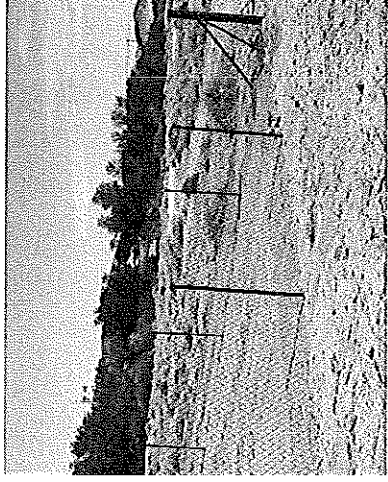
#### (vi)

##### Cemeteries

Cemeteries at the various communities are mostly under the management of the churches within the communities except one at Pofadder, which is under the municipality's control. The cemetery of Pofadder was enlarge to create more space. See pictures below:



Cemetery at Pofadder



(vii)

#### Commonage Management

The size of commonage land consist an area equal to 145 350 hectares:

1. Stand 1152: pofadder south commonage = 5775.9337 h
2. Lutfigshoop = 5274.6467 h
3. Koeries = 13 175.6634 h
4. Pofadder north commonage = 4188 h
5. Onseepkans commonage = 12092.7581 h
6. Witbank commonage = 4350.4697 h
7. Brabis = 7575.4931 h
8. Nombies = 5014.0513 h
9. Hoogoor = 13 496.3961 h
10. Dabenoris = 12 143.5667 h
11. Springputs = 4282.6500 h
12. Pella commonage = 48090.9821 h
13. Coboop 89 portion 7 = 12 697.5338 h
14. Coboop 89 portion 2 = 6133.1116 h
15. Eyties = 4990.2360 h

#### State land under supervision of municipality

1. Guadom 29 = 6443.6900 h
2. Houniams 28 = 5307.3200 h

There was no proper management of the commonage use due to a shortage of staff. An amount of R1000.00 is annually been paid by Pofadder Kleinboere Vereniging and an amount of R2000.00 by Koeries Kleinboere. The other emerging farmers did not pay any fees for utilising the commonage, but had to maintain the infrastructure.

#### Challenges

- ★ Management Plans for commonage
- ★ Establishment of Commonage committees
- ★ Pasture Agreements between the Municipality and emerging farmers
- ★ Drought

#### 1.4 Social Services

(i) Health

A local health committee did not function and need to be re-established.

(ii)

#### **HIV/ AIDS**

This Municipality is committed to play a role in the campaign against HIV/ AIDS. However, Khâi- Ma AIDS Council was not active and need to be re- established. Hope for Life, a community based organisation is still functioning within the communities. VCT Counsellors at clinics delivered services to the inhabitants. Cnr. Desire Swartbooï was a member of the District Aids Council while Cnr. Bruintjies- Groenewald was a member the chairperson of the local aids council.

(iii)

#### **Moral Regeneration**

Moral Regeneration is a big challenge for this municipality.

(iv)

#### **Library Services**

Library services are rendered to the communities of Pofadder, Pella, Aggeneys and Onseepkans.

Temporary staff was appointed to assist existing staff with service delivery;

(iv)

#### **Sport and Recreation**

The Municipality supported by Black Mountain and Department of Environmental Affairs and Conservation celebrate its first Christmas lights during the weekend of 11- 13 December 2009.

#### **Challenges**

- ★ Sport forums needs to be established to;
- ★ Sport facilities needs to be upgraded;
- ★ Community halls for the other township at Onseepkans, Melkbosrand and Sending and as well as Witbank are needs;



Mayor Bruintjies- Groenewald distribute gifts amongst the children



The donkeys enjoy themselves at the festival

(vi)

#### **Crime Prevention**

Council supported crime prevention and ward councillors represent the council on the community Police Forums in all communities.

#### **Challenge**

- ★ Implementation of the Crime prevention plan

(vii)

Education

An education Trust was established through the Black Mountain Social and Labour Plan in order to assist scholars who passed their senior certificate examinations in good standing financially. .

Mayor Bruintjies- Groenewald and Clr. Desire Swartbooi are trustees on the trust.

## 2.

### **INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

#### 2.1

##### **Integrated Development Planning**

The final document for the 2009/2010 financial year was approved at a special meeting on 25 Mei 2009.

An SDBIP was not adopted by council.

#### 2.2

##### **Performance Management**

A process to develop a performance management system started. A policy and framework were adopted. However, such system is not prepared to be used. Therefore, no performance contracts could be signed. This area needs intensive attention. A consultant, Zingco Management was appointed to develop a performance management system but the system was not completed at the end of year.

#### 2.3

##### **Human Resource Management**

(i) Compilation of Council

Name of Councillor	Political Party	Gender		Position		Ward / PR
		M	F			
Magdalena Bruintjies-Groenewald	ANC		x	Mayor		PR
Johannes Jacobus Swartbooi	ANC	x		Councillor		PR
Desire Ann Swartbooi	ANC		x	Councillor		Ward
Pasqueline Adonia Van Heerden	ANC		x	Councillor		Ward
Andries Edward Diergaardt	ANC	x		Councillor		Ward
Frans Xavier James Van Rooyen	DA	x		Councillor		Ward
Sylvia Sophia Brandt	ID		x	Councillor		PR

Councillor Andries Diergaardt was elected as a ward councillor for Ward 1 (Onseepkans, Blyvooruitsig, Pofadder, Vrugbaar and Raap- en – Skraap) during a by- election which was held in August 2009.

See picture of councillors on next page.



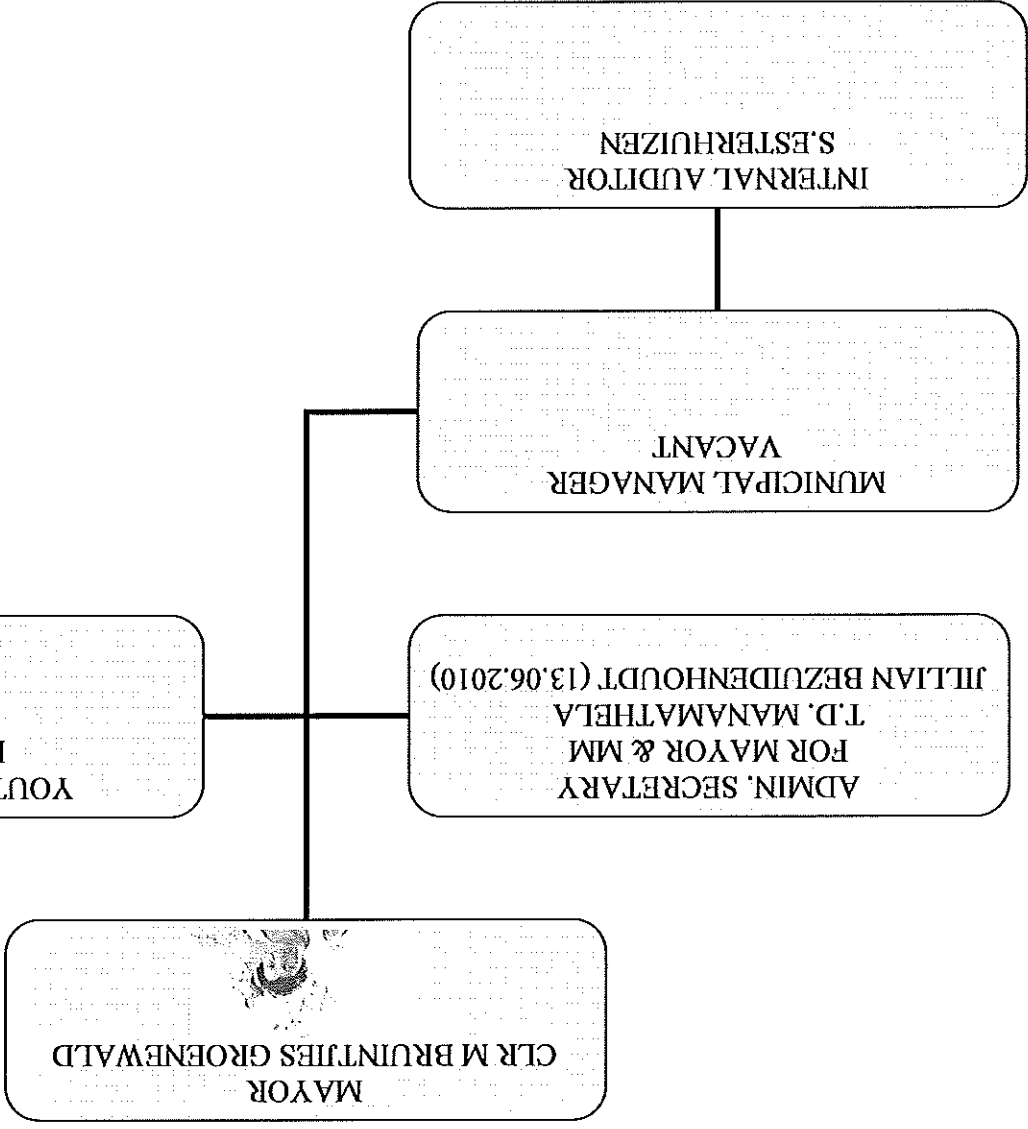
Back (Left to right): Cirs. Pasqueline Van Heerden, Andries Diergaardt, FXJ. Van Rooyen, J.J Swartbooi and Sylvia Brandt  
 Front (Left to right): Cirs. Lindie Bruinjies- Groenewald (Mayor), Desire Swartbooi

(ii) Political Representative on the council at the end of the financial year:

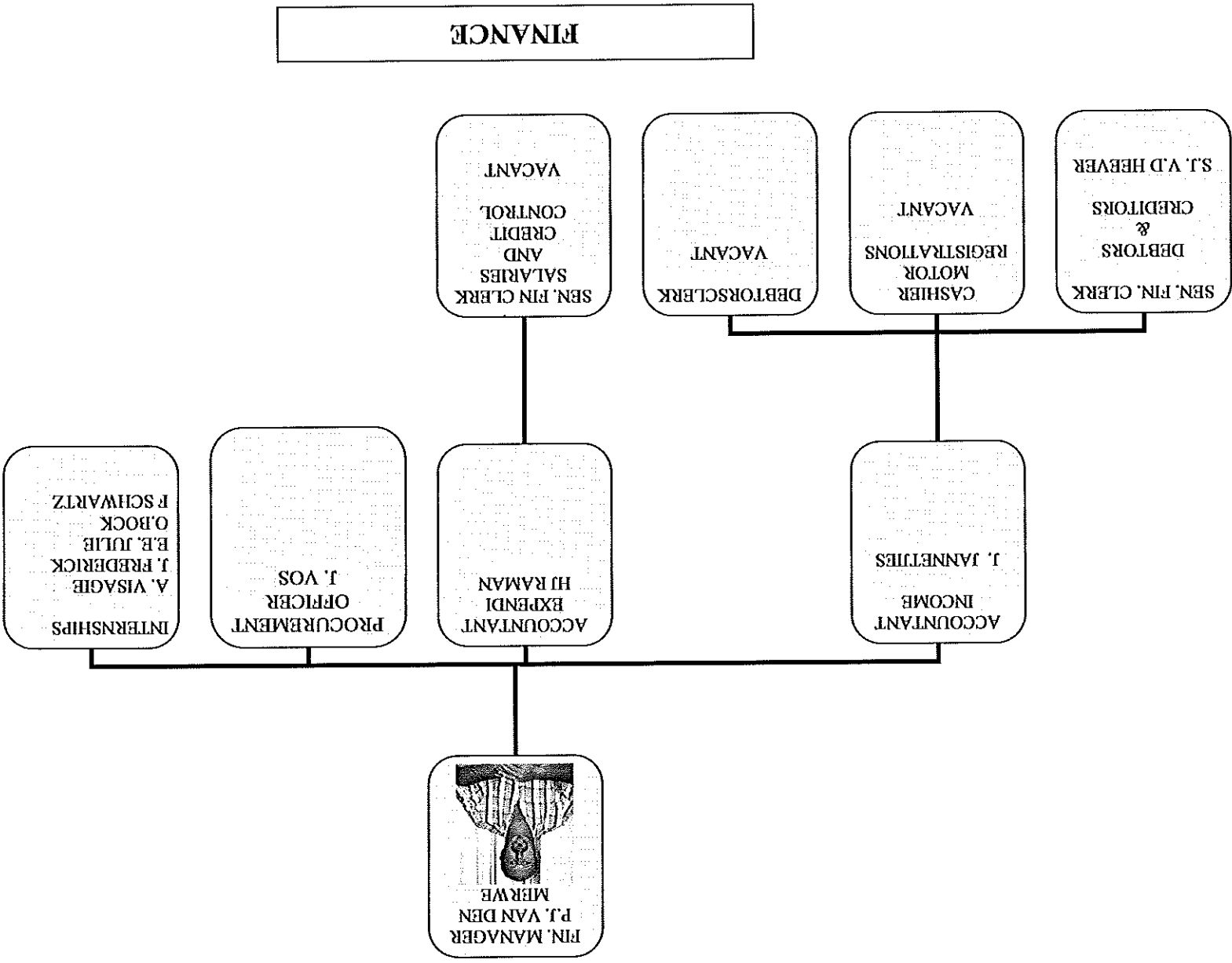
African National Congress	4
Democratic Alliance	1
Independant Democrats	1
Vacancy	1
Total Councillors	7

(iii) Staff Component

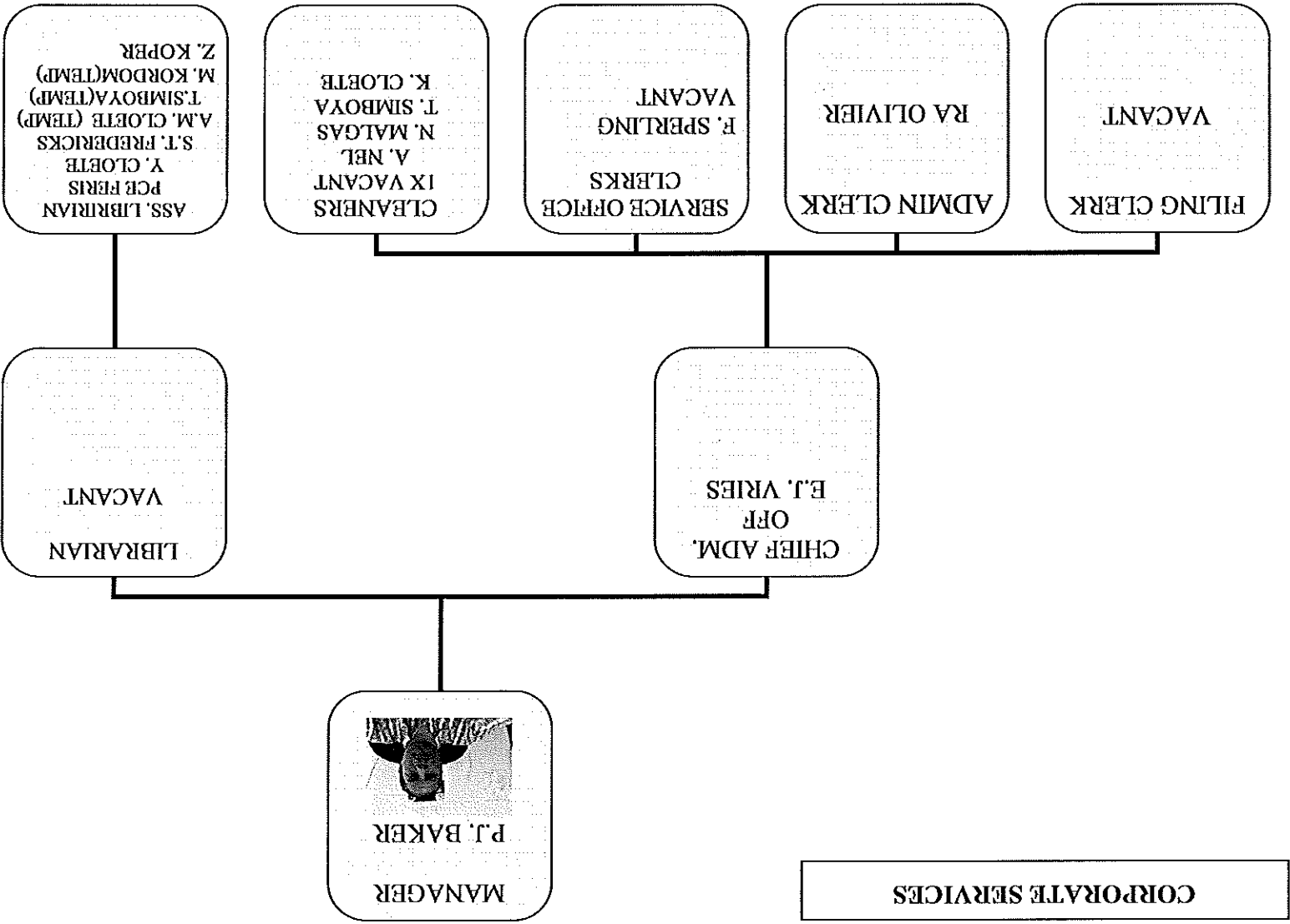
- ▶ Organogram
- See page 16- 21



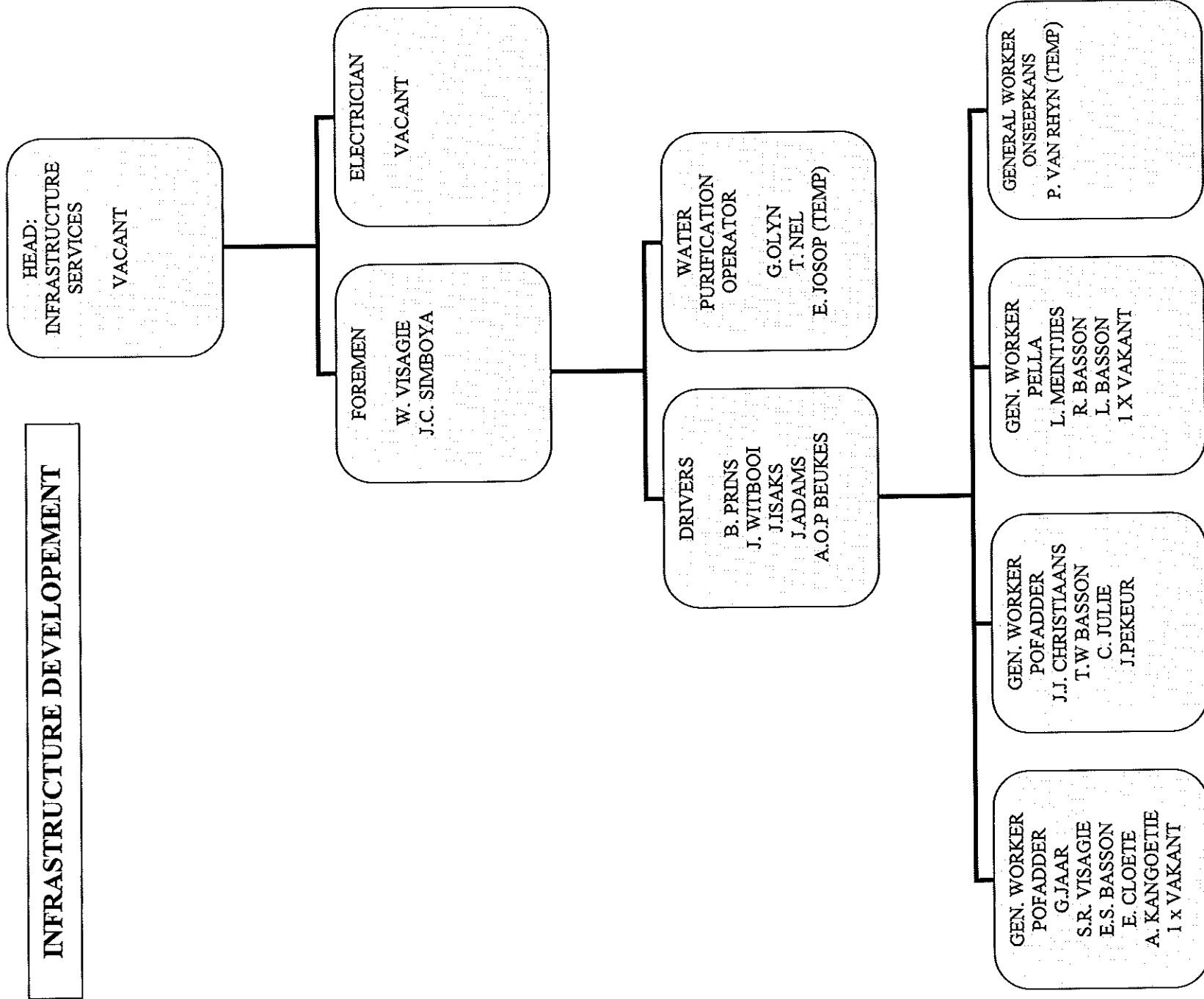


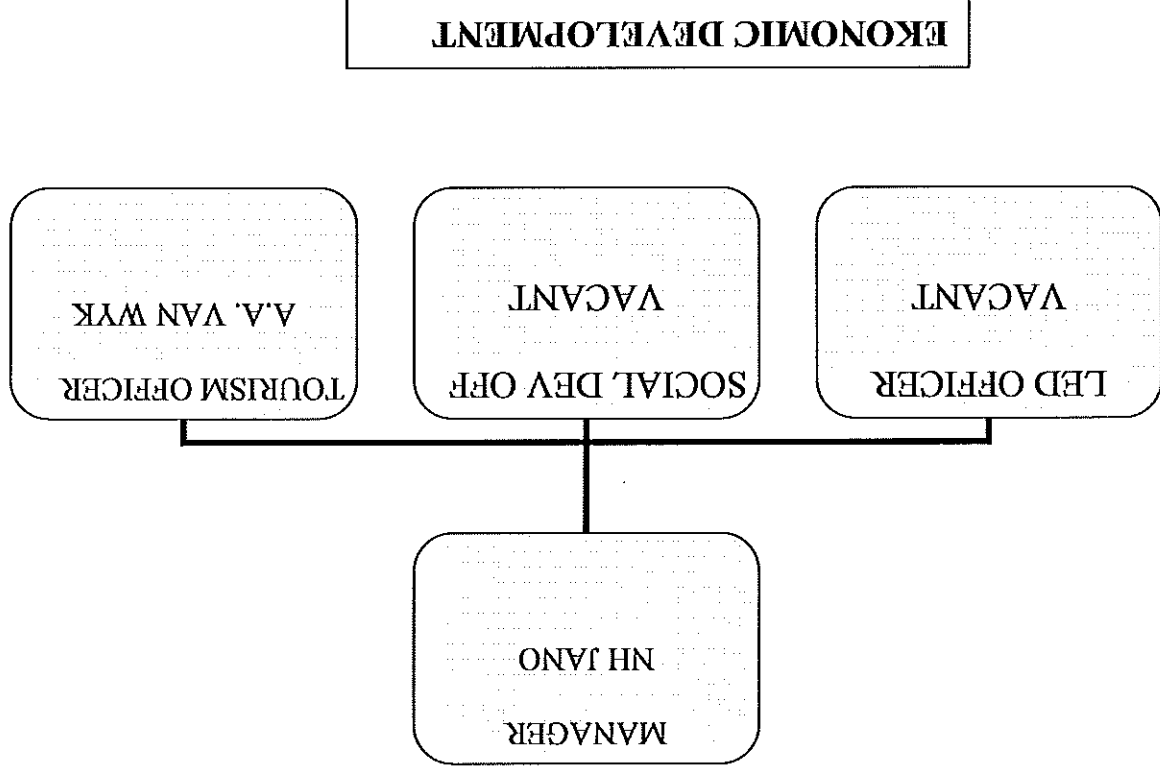


FINANCE



## INFRASTRUCTURE DEVELOPEMENT





► Job Evaluations

The job evaluation process is not yet completed. Job descriptions were completed and submitted for assessment by provincial and national job evaluation committees. The job evaluations are delayed being outstanding for more than five years and hampers proper remuneration of staff.

► Appointments

The following appointments were done during the financial year:

Miss Jillian Bezuidenhout- Secretary to the Mayor and Municipal Manager  
 Mr Saroja Esterhuizen- Internal Auditor  
 Miss Stella Cloete- Special Programme Officer  
 Mr Johannes Vos- Procurement Officer  
 Mr Jacob Isaks- Driver  
 Mr Anslo Beukes- Driver  
 Mr Hermanus Kordom- General worker  
 Mr J. Pekeur- General worker  
 Mr. Fabian Schwartz- Financial Internships  
 Mr Odette Bock- Financial Internships  
 Miss Agatha Groenewald- Librarian Assistant (Temporary)- Pofadder  
 Miss Zelda Koper- Librarian Assistant (Temporary)- Onseepkans  
 Miss Andrea Cloete- Librarian Assistant (Temporary)- Aggeneys  
 Miss Theresa Simboya- Librarian Assistant (Temporary)- Pella

► Vacancies

Municipal Manager	:	1 (Position vacate- Oct 2009)
Infrastructure Manager	:	1 (Vacant for more than 5 years)
Electrician	:	1 (current filled by contractor)
Accountants	:	1
Admin Clerk	:	2
General assistants	:	3

► Terminations

Mr. Henry Raman (Accountant- Expenses)- Resignation  
 Mr Nicolaas Magerman- (Driver)- Retirement  
 Mr L.D. Beukes (Municipal Manager) - Resignation  
 Mr Daniel Manamathela (Secretary to the Mayor and Municipal manager)- Dismissal  
 Mr. S.R Visagie- (General Worker)- Resignation  
 Mr B.E. Simboya- (Youth Coordinator)- Contract expired

► Retirement

Mr. Gert Olyn (Water Purification Operator)  
 Mrs. Francis (Dolla) Sperling (Service Point Clerk) at the age of 60.  
 Mr Gert Jaar (General Worker)

► Employment Equity  
 See report October 2010

(iv) Skills Development

A workplace skills plan has been completed in consultation with the workers union, SAMVU and submitted to LGSETA. Councillors and staff had received training as follow:

COURSE	COUNCILLOR	OFFICIAL
CMPD (Fin. Management)		Mnr. HR Raman Edward Cloete
MFMA- IAT Learnerships		Mnr. Saroja Esterhuisen Julian Fredericks Edmund Julie Alexander Visagie Junilla Jannetjies Machell Mallett Odette Bock
Executive Leadership and Management Development Programme	Desire Swartbooi Pasqueline Van Heerden FXJ Van Rooyen	P.J. Baker
PAY DAY		Marchell Mallett
Operation And Maintenance		Willem Visagie Johny Simboya Thomas Nell

### 3. LOCAL ECONOMIC DEVELOPMENT

This area did not receive the necessary attention. The LED manager was still on suspension since April 2009 and dismissed during a disciplinary hearing which was held during February 2010. However, the position cannot be filled pending outstanding labour law matters. Mr Eddie Julius of Department of Finance and Economic Development assists the Municipality in this regard with compiling a LED strategy as the first priority.

An LED strategy does not exist.

No LED projects were established during this year. No new investments took place in the year. Companies dealing with solar energy approached this municipality about land for solar plantation which can create job opportunities.

#### Tourism

A Local Tourism Authority (LTA) was established during the third quarter of the financial year.

Permanently job created: None

Temporary Jobs: 40 people (Women and Youth included) was employed in a tar road reseal project.

Job losses: Unknown

#### Challenges

- ★ Development of LED strategy
- ★ Development of Tourism Plan
- ★ Job creation and Poverty Alleviation



Worker work on a road (Job creation)

#### 4. **FINANCIAL MANAGEMENT AND VIABILITY**

See financial statements from page 46- 105.

The municipality (i) experienced serious cash flow problems.

##### Challenges

- ★ Financial Recovery Plan (Improvement of cash flow)
- ★ Capacity Building
- ★ Extension of systems to service offices

#### 5 **GOOD GOVERNANCE AND PUBIC PARTICIPATION**

- Provincial Cabinet Meets the People  
Khâi- Ma Municipality attend such events on 11 August 2009 in Concordia as well as at Pofadder.

- Open Council Meetings  
Four (4) ordinary and ten (10) special meeting were held during the year.

The public did not attend such meetings except for a few inhabitants of Pella who attend some. However, the minutes are available for inhabitants to read it and get an idea which issues council had dealt with.

- Written and electronic correspondence  
The Municipality communicated in writing and electronically with applicants, members of the public who complaint and enquired about relative matters. No figures of letters received, is available.

- Telephonic enquires  
The Municipality avails incoming telephone lines, fax facilities and e- mail facilities. No record is of telephonic enquires was kept.

- Personal Enquires  
Inhabitants could visit the seat at Pofadder and service offices at Pella en Onseepkans, which are daily open from Monday until Friday, between 07h30 and 16h30. The inhabitants of Witbank have access to services through the Community development worker (CDW's). Books for suggestions and complaints were kept at all offices.

- Ward meetings  
Councillors together with ward committees held community meetings since the wards consist out of communities which are situated more than 30 kilometres from each other. Examples are:

Ward 1 (Pofadder- Onseepkans)- Distance between Pofadder and Onseepkans is equal to + 50 kilometers.

Ward 3: Pella, Klein Pella and Witbank: The distances amongst Pella- Klein Pella is about 30 kilometres, Pella- Witbank is about 60 kilometres.

- Council meets the people  
Council meets the People at Witbank, Onseepkans and Pella. In the case of Pofadder (Ward 2) attendance is very poor. In the case of Aggeneys the inhabitants did not turn up.
- Ward Committees  
Ward Committees were elected and are functional except in the case of Aggeneys where such a committee does not exist. Training for the committee members are outstanding.
- Intergovernmental Relations  
Council attended intergovernmental Relation Forum meetings quarterly on Provincial and District Level.
- Public Participation  
Meetings with the communities of Onseepkans, Pella and Pofadder took place in April 2010.
- Internal Auditing and audit committee  
An internal auditor was appointed during April 2010.  
An audit committee was not established.



# ANNEXURES

## **ANNEXURE A**

PLEASE READ THIS FIRST		SECTION A: EMPLOYER DETAILS & INSTRUCTIONS	
<p><b>PURPOSE OF THIS FORM</b></p> <p>This form enables employers to comply with Section 21 of the Employment Equity Act 55 of 1998.</p> <p>This form contains the format for employment equity reporting by employers to the Department of Labour. Both small employers (i.e. employers employing fewer than 150 employees) and large employers (i.e. employers employing 150 or more employees) are required to use this form.</p> <p>Those employers who are not designated, but wish to voluntarily comply, must also use this reporting form.</p> <p>Although all sections of this form apply to large employers, small employers are not required to complete Section F of the form.</p> <p><b>WHO SHOULD COMPLETE THIS FORM?</b></p> <p>All designated employers that have to submit a report in terms of the Employment Equity Act, 55 of 1998. Employers who wish to voluntarily comply with the reporting requirements of the Act are also required to complete this form.</p> <p><b>WHEN SHOULD EMPLOYERS REPORT?</b></p> <p>Large employers must submit their first report within six months of being designated, and thereafter annually on the first working day of October, and small employers must submit their first report within twelve months of being designated, and thereafter on the first working day of October of every year that ends with an even number.</p> <p><b>ESSENTIAL REQUIREMENTS</b></p> <p>Large employers, i.e. employers with 150 and more employees, must complete the entire EEA2 reporting form. Small employers, i.e. employers with fewer than 150 employees, must only complete areas of the EEA2 form that apply to them.</p> <p>Guidance to overcome difficulties in order to complete the form properly must be obtained from the Department prior to completing and submitting the report.</p> <p><b>SEND TO:</b></p> <p>Employment Equity Registry The Department of Labour Private Bag X117 Pretoria 0001</p> <p>Online reporting: <a href="http://www.labour.gov.za">www.labour.gov.za</a> Helpline: 0860101018</p>		Trade name	KHAL-MA MUNICIPALITY
		DTI registration name	
		DTI registration number	
		PAYE/SARS number	
		UIF reference number	
		EE reference number	
		Seta classification	LGSETA
		Industry/Sector	MUNICIPALITY
		Telephone number	054-9331000
		Fax number	054-9330252
		Email address	boet@khaima.gov.za
		Postal address	P.O.Box 108
		Postal code	POFADDER
		City/Town	8890
		Province	POFADDER
Physical address	NORTHERN CAPE		
Postal code	NUWE STREET		
City/Town	POFADDER		
Province	8890		
Details of CEO at the time of submitting this report			
Name and surname	Mr.PETRUS JOHANNES BAKER		
Telephone number	054-9331000		
Fax number	054-9330252		
Email address			
Details of Employment Equity Senior Manager at the time of submitting this report			
Name and Surname	Mr.PETRUS JOHANNES BAKER		
Telephone number	054-9331000		
Fax number	054-9330252		
Email address	boet@khaima.gov.za		
Business type			
<input type="checkbox"/> Private Sector	<input type="checkbox"/> Parastatal		
<input type="checkbox"/> National Government	<input type="checkbox"/> Provincial Government		
<input type="checkbox"/> Local Government ✓	<input type="checkbox"/> Educational Institution		
<input type="checkbox"/> Non-profit Organization			
Information about the organization at the time of submitting this report			
Number of employees in the organization	<input type="checkbox"/> 0 to 49 <input type="checkbox"/> 50 to 149 ✓ <input type="checkbox"/> 150 or more		
Is your organization an organ of State?	<input type="checkbox"/> Yes ✓ <input type="checkbox"/> No		
Is your organisation part of a group / holding company?	<input type="checkbox"/> Yes <input type="checkbox"/> No ✓		
If yes, please provide the name.			
Date of submitting this report			
DD / MM / YYYY			



## SECTION B: WORKFORCE PROFILE AND CORE & SUPPORT FUNCTIONS

### 1. WORKFORCE PROFILE

1.1 Please report the total number of employees (including employees with disabilities) in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management		1		1							2
Senior management		1									1
Professionally qualified and experienced specialists and mid-management		2				2					4
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		7				8		1			16
Semi-skilled and discretionary decision making		4									4
Unskilled and defined decision making		13				6					19
<b>TOTAL PERMANENT</b>		28		1		15		1			45
Temporary employees		3				5					8
<b>GRAND TOTAL</b>		31		1		20		1			53

1.2 Please report the total number of employees with disabilities only in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
<b>TOTAL PERMANENT</b>											
Temporary employees											
<b>GRAND TOTAL</b>											

## 2. Core Operation Functions and Support Functions by Occupational Level

A job could either be a Core operation function or a Support function. Core operation Function positions are those that directly relate to the core business of an organization and may lead to revenue generation e.g. sales production, etc. Support Function positions provide infrastructure and other enabling conditions for revenue generation e.g. human resources corporate services etc.

2.1 Please indicate the total number of employees (including people with disabilities) that are involved in Core Operation Function positions at each level in your organization only. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management		1		1							2
Senior management		1									1
Professionally qualified and experienced specialists and mid-management		2				2					4
Skilled technical and academically qualified workers, junior mngt, supervisors, foremen, and superintendents		7				7		1			15
Semi-skilled and discretionary decision making		4									4
Unskilled and defined decision making		13				6					19
TOTAL PERMANENT		28		1		15		1			45
Temporary employees		3				5					8
GRAND TOTAL		31		1		20		1			53

2.2 Please indicate the total number of employees (including people with disabilities), that are involved in Support Function positions at each level in your organization. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management		1		1							2
Senior management		1									1
Professionally qualified and experienced specialists and mid-management		2				2					4
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and sup		7				7		1			15
Semi-skilled and discretionary decision making		4									4
Unskilled and defined decision making		13				6					19
TOTAL PERMANENT		28		1		15		1			45
Temporary employees		3				5					8
GRAND TOTAL		31		1		20		1			53

### SECTION C: WORKFORCE MOVEMENT

#### 3. Recruitment

3.1 Please report the total number of new recruits, including people with disabilities. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management						2					2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		2				4					6
Semi-skilled and discretionary decision making		2									2
Unskilled and defined decision making		4									4
<b>TOTAL PERMANENT</b>		8				6					14
Temporary employees											
<b>GRAND TOTAL</b>		8				6					14

#### 4. Promotion

4.1 Please report the total number of promotions into each occupational level, including people with disabilities. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		2				2					4
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
<b>TOTAL PERMANENT</b>		2				2					4
Temporary employees											
<b>GRAND TOTAL</b>		2				2					4

## 5. Termination

5.1 Please report the total number of terminations in each occupational level, including people with disabilities. Note:  
A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management		1									1
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		1									1
Semi-skilled and discretionary decision making	1	1				1					3
Unskilled and defined decision making		4									4
TOTAL PERMANENT	1	7				1					9
Temporary employees											
GRAND TOTAL	1	7				1					9

5.2 Please report the total number of terminations, including people with disabilities, in each termination category below.  
Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Terminations	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Resignation		5									5
Non-renewal of contract	1	2									3
retrenchment – Operational requirements											
Dismissal - misconduct											
Dismissal - incapacity											
Retirement						1					1
Death											
TOTAL	1	7				1					9



## SECTION D: SKILLS DEVELOPMENT

## 6. Skills Development

6.1 Please report the total number of people from the designated groups, including people with disabilities, who received training solely for the purpose of achieving the numerical goals, and not the number of training courses attended by individuals. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management									
Senior management									
Professionally qualified and experienced specialists and mid-management									
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		5				1			6
Semi-skilled and discretionary decision making									
Unskilled and defined decision making									
<b>TOTAL PERMANENT</b>		5				1			6
Temporary employees									
<b>GRAND TOTAL</b>		6				6			6

6.2 Please report the total number of people with disabilities only who received training solely for the purpose of achieving the numerical goals, and not the number of training courses attended by individuals. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management									
Senior management									
Professionally qualified and experienced specialists and mid-management									
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents									
Semi-skilled and discretionary decision making									
Unskilled and defined decision making									
<b>TOTAL PERMANENT</b>									
Temporary employees									
<b>GRAND TOTAL</b>									

## SECTION E: NUMERICAL GOALS & TARGETS

### 7. Numerical goals

7.1 Please indicate the numerical goals (i.e. the workforce profile) you project to achieve for the total number of employees, including people with disabilities, at the end of your current employment equity plan in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management		3		1							4
Senior management		1									1
Professionally qualified and experienced specialists and mid-management		2				2					4
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		9				9		1			19
Semi-skilled and discretionary decision making		4									4
Unskilled and defined decision making		14				6					20
<b>TOTAL PERMANENT</b>		33		1		17		1			52
Temporary employees		3				5					8
<b>GRAND TOTAL</b>		36		1		22		1			60

7.2 Please indicate the numerical goals (i.e. the workforce profile) you project to achieve for the total number of employees with disabilities only at the end of your current employment equity plan in terms of occupational levels.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
<b>TOTAL PERMANENT</b>											
Temporary employees											
<b>GRAND TOTAL</b>											

### 8. Numerical targets

9 of 12 EEA2

8.1 Please indicate the numerical targets (i.e. the workforce profile) you project to achieve for the total number of employees, including people with disabilities, at the end of the next reporting in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female			Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female
Top management		3		1						4
Senior management		1								1
Professionally qualified and experienced specialists and mid-management		2				2				4
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		9				9		1		19
Semi-skilled and discretionary decision making		4								4
Unskilled and defined decision making		14						6		20
TOTAL PERMANENT		33		1		17		1		52
Temporary employees		3								8
GRAND TOTAL		36		1		22		1		60

8.2 Please indicate the numerical targets (i.e. the workforce profile) you project to achieve for the total number of employees with disabilities only at the end of the next reporting period in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female			Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female
Top management										
Senior management										
Professionally qualified and experienced specialists and mid-management										
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents										
Semi-skilled and discretionary decision making										
Unskilled and defined decision making										
TOTAL PERMANENT										
Temporary employees										
GRAND TOTAL										

**SECTION F: MONITORING & EVALUATION (This section is not applicable to small employers)**

**9. Disciplinary Action**

9.1 Disciplinary action: (report the total number of disciplinary actions during the twelve months preceding this report). Report on formal outcomes only. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

DISCIPLINARY ACTION	Male			Female			Foreign Nationals		Total
	A	C	I	W	A	C	I	W	
1	1								2

**10. Awareness of Employment Equity**

10.1 Please indicate which of the following awareness measures were implemented by your organization:

	Yes	No	No. of employees covered
Formal written communication			
Policy statement includes reference to employment equity			
Summary of the Act displayed			
Employment Equity training			
Diversity management programmes			
Discrimination awareness programmes			

**11. Consultation**

11.1 Please indicate which stakeholders were involved in the consultation process when developing and implementing your employment equity plan and when preparing this Employment Equity Report:

	Yes	No
Consultative body or employment equity forum		
Registered trade union (s)	√	
Employees		

12. Barriers and affirmative action measures

12.1 Please indicate in which categories of employment policy or practice barriers to employment equity were identified. If your answer is 'Yes' to barriers in any of the categories, please indicate whether you have developed affirmative action measures and the timeframes to overcome them.

Categories	BARRIERS		AFFIRMATIVE ACTION MEASURES		TIMEFRAME FOR IMPLEMENTATION OF AA MEASURES	
	YES	NO	YES	NO	START DATE	END DATE
Recruitment procedures						
Advertising positions						
Selection criteria						
Appointments						
Job classification and grading						
Remuneration and benefits						
Terms & conditions of employment						
Job assignments						
Work environment and facilities						
Training and development						
Performance and evaluation						
Promotions						
Transfers						
Succession & experience planning						
Disciplinary measures						
Dismissals						
Retention of designated groups						
Corporate culture						
Reasonable accommodation						
HIV&AIDS prevention and wellness programmes						
Appointed senior manage(s) to manage EE implementation						
Budget allocation in support of employment equity goals						
Time off for employment equity consultative committee to meet						

13. Monitoring and evaluation of implementation

13.1 How regularly do you monitor progress on the implementation of the employment equity plan? Please choose one.

Weekly	Monthly	Quarterly	Yearly
			✓

13.2 Did you achieve the annual objectives as set out in your employment equity plan for this period?

Yes	No	Please explain

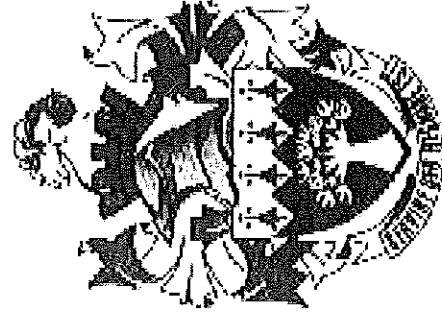
SECTION G: Signature of the Chief Executive Officer

Chief Executive Officer	
I hereby declare that I have read, approved and authorized this report.	
Signed on this _____ day of _____ year _____	
At place: _____	
_____	Chief Executive Officer (Full Name)
_____	Chief Executive Officer (Signature)

## **ANNEXURE B**

# **KHAI-MA MUNICIPALITY**

## **MUNICIPALITY**



[Audited Financial Statements]

## **FINANCIAL STATEMENTS**

**30 JUNE 2010**



# KHAI-MA MUNICIPALITY

## Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	3
Report of the Chief Financial officer	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Accounting Policies	9
Notes to the Financial Statements	28 - 59

### APPENDICES

A	Schedule of External Loans	60
B	Analysis of Property, Plant and Equipment	61 - 62
C	Segmental Analysis of Property, Plant and Equipment	63
D	Segmental Statement of Financial Performance - Municipal Votes	64
E (1)	Actual Versus Budget (Revenue and Expenditure)	65
E (2)	Actual Versus Budget (Acquisition of Property, Plant and Equipment)	66
F	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	67

# KHAI-MA MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Khai Ma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Khai Ma Municipality includes the following areas:

Pofadder  
Pella  
Omseepkans  
Witbank  
Aggeneys

#### ACTING MUNICIPAL MANAGER

*Mr. P J Baker*

#### CHIEF FINANCIAL OFFICER

*Mr. P van der Merwe*

#### REGISTERED OFFICE

*P.O. Box 108  
Pofadder  
8890*

#### AUDITORS

The Auditor-General  
Private Bag X5013  
Kimberley  
8300

#### PRINCIPLE BANKERS

The Standard Bank of S.A. Ltd  
Pofadder Branch  
P.O. Box 60  
Pofadder  
8890

#### ATTORNEYS

*Mattews en Associates*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# **KHAI-MA MUNICIPALITY**

## **MEMBERS OF THE Khai Ma MUNICIPALITY**

<b>WARD</b>	<b>COUNCILLOR</b>
Ward 1	Councillor A.E. Diergaardt
Ward 2	Councillor F.X.J. van Rooyen
Ward 3	Councillor P.A. van Heerden
Ward 4	Councillor D. Swartbboui
Proportional	Councillor S.S. Brandt
Proportional	Councillor J.J. Swartbboui
Proportional	Councillor M. Groenewaldt

## **APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 58 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

*PJ Baker*  
**Acting Municipal Manager**

**KHAI-MA MUNICIPALITY**

**FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010**

**1. REVIEW OF OPERATING RESULTS**

The overall operating results for the year ended 30 June 2010 as well as the comparison with the budgeted figures and the actual results of 2009 are summarised as follow:

Description	Budget 2010	Actual 2010	Variance	Variance Actual as % of Budget	Actual 2009
<b>INCOME</b>					
Operating Income	33,182,490	20,124,232	(13,058,258)	(39.35)	33,688,817
<b>EXPENDITURE</b>					
Operating Expenditure	(21,807,150)	(21,844,345)	(37,195)	(0.17)	(26,947,830)
Profit/(Loss) for the year	11,375,340	(1,720,113)	(13,095,453)	(115.12)	6,740,987

Details of operating results per department and classification of income and expenditure is included in the Statement of Performance and Appendix D in the financial statements.

**2. OPERATING EXPENDITURE**

The expenditure per function for the year ended 30 June 2010 as well as the comparison with the budgeted figures and the actual results of 2009 are summarised as follow:

Description	Budget 2010	Actual 2010	Variance	Variance Actual as % of Budget	Actual 2009
Employee related costs	5,726,280	5,029,017	697,263	12.18	5,121,338
Remuneration of Councillors	1,474,510	1,421,457	53,053	3.60	1,246,244
Debt Impairment		2,696,483	(2,696,483)	#DIV/0!	26,388
Rehabilitation of Landfill Site	189,800	238,727	(48,927)	(25.78)	189,727
Depreciation and Amortisation	1,449,910	1,439,993	9,917	0.68	1,680,466
Impairments		3,835	(3,835)	#DIV/0!	7,938,257
Repairs and Maintenance	1,019,000	789,943	229,057	22.48	606,899
Unamortised discount - Interest	498,940	498,930	10	0.00	488,549
Actuarial losses		-	-	#DIV/0!	330,089
Finance Charges	822,300	361,319	460,981	56.06	2,395,380
Bulk Purchases	2,860,000	3,163,904	(303,904)	(10.63)	184,576
Contracted services	232,000	243,601	(11,601)	(5.00)	6,739,917
General Expenses	7,534,410	5,957,136	1,577,274	20.93	
<b>TOTAL</b>	21,807,150	21,844,345	(37,195)	#DIV/0!	26,947,830

**3. OPERATING INCOME**

Description	Budget 2010	Actual 2010	Variance	Variance Actual as % of Budget	Actual 2009
Property Rates	1,504,340	1,602,143	(2,197)	(0.14)	1,465,115
Subsidies	23,629,610	12,056,865	(11,572,745)	(48.98)	9,767,504
Contributed PPE			-	#DIV/0!	15,865,295
Fines	50,000	25,330	(24,670)	(49.34)	63,550
Actuarial Gains			-	#DIV/0!	126,551
Service Charges	6,881,240	4,970,526	(1,910,714)	(27.77)	4,985,515
Equipment	84,900	105,617	20,717	24.40	93,966
Investments	170,000	243,593	73,593	43.29	239,669
Debtors	612,000	754,406	142,406	23.27	838,837
Licences and Permits	13,900	15,731	1,831	13.17	14,668
Agency Services	100,000	101,453	1,453	1.45	98,423
Other Income	36,500	248,568	212,068	581.01	129,904
<b>TOTAL</b>	33,182,490	20,124,232	(13,058,258)	#DIV/0!	33,688,997

4. EXTERNAL LOANS

Type	30/06/2009	Received	Redeemed	Transferred	30/06/2010
Annuity Loans	1,497,084	-	(534,118)	-	962,966
Lease Liabilities	34,843	-	(25,824)	-	9,019
<b>TOTAL</b>	<b>1,531,927</b>	<b>-</b>	<b>(559,942)</b>	<b>-</b>	<b>971,985</b>

5. PAYABLES, PROVISIONS AND UNSPENT CONDITIONAL GRANTS

Payables	2010	2009
	R	R
Provision - Staff Leave	4,301,648	5,061,586
Unspent Conditional Grants	566,236	513,727
	8,894,364	2,750,661
	13,762,248	8,325,974

6. CONSUMER DEBTORS

Property Rates	2010	2009
	R	R
Electricity	1,026,964	2,332,566
Water	382,578	314,247
Refuse	2,207,636	5,075,468
Sewerage	824,117	674,246
Other	892,821	755,459
Water Recognition	1,136,391	87,663
Electricity Recognition	90,060	20,759
Sewerage Recognition	56,801	42,192
	825	2,544
Less: Provision for Bad Debts	6,618,193	9,305,144
	(3,652,438)	(6,104,832)
	2,965,755	3,200,312

Increase of consumer debtors due to non-payment off services.

7. CAPITAL EXPENDITURE

The following capital expenditure occurred during the 2009/2010 financial year:

Project	Budget	Expenditure	Variance
Land and Buildings			-
Infrastructure	11,077,900	909,950	10,167,950
Community Assets	231,700	225,264	6,436
Other Assets	726,000	273,940	452,060
<b>TOTAL</b>	<b>12,035,600</b>	<b>1,409,154</b>	<b>10,626,446</b>

SOURCE OF FINANCE

External Loans	
Government Grants and Subsidies	1,409,154
Capital Replacement Reserve	
Public Contributions	
<b>TOTAL</b>	<b>1,409,154</b>

# KHAI-MA MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>37,751,657</b>	<b>39,471,770</b>
Housing Development Fund	2	13,362	12,641
Revaluation Reserve	3	4,177,127	4,353,078
Accumulated Surplus/(Deficit)		33,561,168	35,106,051
<b>Non-Current Liabilities</b>		<b>5,542,093</b>	<b>5,255,832</b>
Long-term Liabilities	4	242,900	363,208
Employee Benefits	5	2,310,466	2,142,624
Non-current Provisions	6	2,988,727	2,750,000
<b>Current Liabilities</b>		<b>14,666,765</b>	<b>9,039,918</b>
Consumer Deposits	7	54,448	47,767
Current Employee Benefits Provisions	8	566,236	567,201
Trade and other payables	9	-	-
Unspent Conditional Government Grants and Receipts	10	4,301,648	5,057,585
Unspent Conditional Public Contributions and Receipts	11	8,894,364	2,750,661
Taxes	12	-	-
Short-term Loans	13	-	-
Operating Lease Liability	14	-	-
Cash and Cash Equivalents	24.1	729,687	555,619
Current Portion of Long-term Liabilities	25	120,382	61,086
<b>Total Net Assets and Liabilities</b>	4	<b>57,960,515</b>	<b>53,767,520</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>46,302,389</b>	<b>45,899,694</b>
Property, Plant and Equipment	15	45,874,259	45,899,694
Non-Current Assets Held for Sale	16	-	-
Investment Property	17	-	-
Intangible Assets	18	428,129	-
Investments	19	-	-
Long-Term Receivables	20	-	-
<b>Current Assets</b>		<b>11,658,126</b>	<b>7,867,826</b>
Inventory	21	1,066,629	1,063,633
Trade Receivables from exchange transactions	22	1,258,528	2,434,267
Other Receivables from non-exchange transactions	23	1,707,227	967,303
Unpaid Conditional Government Grants and Receipts	11	-	-
Operating Lease Asset	24.2	-	-
Taxes	13	402,914	324,338
Current Portion of Long-term Receivables	20	-	-
Cash and Cash Equivalents	25	7,222,829	3,078,285
<b>Total Assets</b>		<b>57,960,515</b>	<b>53,767,520</b>

# KHAI-MA MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
<b>REVENUE</b>			
Revenue from Non-exchange Transactions		13,684,338	27,287,835
Taxation Revenue		1,602,143	1,465,115
Property taxes	26	1,602,143	1,465,115
Transfer Revenue		12,056,865	25,632,799
Government Grants and Subsidies	27	12,053,865	9,763,104
Public Contributions and Donations	28	3,000	4,400
Contributed Property, Plant and Equipment	29	-	15,865,295
Other Revenue		25,330	189,921
Fines		25,330	63,550
Third party payments		-	-
Stock adjustments		-	-
Actuarial Gains		-	126,371
Changes in Fair Value	6	-	-
Other	30.1	-	-
Other	31	-	-
Revenue from Exchange Transactions		6,439,894	6,415,583
Property Rates - penalties imposed and collection charges		-	-
Service Charges	32	4,970,526	4,985,515
Rental of Facilities and Equipment		105,617	104,366
Interest Earned - external investments		243,593	239,669
Interest Earned - outstanding debtors		754,406	838,837
Licences and Permits		15,731	14,668
Income for Agency Services		101,453	98,423
Other Income	33	248,568	134,105
Unamortised discount - Interest	34	-	-
<b>Total Revenue</b>		<b>20,124,232</b>	<b>33,703,418</b>
<b>EXPENDITURE</b>			
Employee related costs	35	5,029,017	5,121,338
Remuneration of Councillors	36	1,421,457	1,246,244
Debt Impairment	37	2,696,483	26,388
Collection costs		-	-
Increase in Provision for Rehabilitation of Landfill Site		238,727	189,727
Depreciation and Amortisation		1,439,993	1,680,466
Items of PPE Derecognised	38	3,835	7,938,257
Repairs and Maintenance		789,943	606,899
Unamortised discount - Interest	34	498,930	488,549
Actuarial losses	6	-	-
Finance Charges	39	361,319	330,089
Bulk Purchases	40	3,163,904	2,395,380
Contracted services		243,601	184,576
Grants and Subsidies Paid	41	-	-
Donations		68,044	-
General Expenses	42	5,889,093	6,739,916
Changes in Fair Value	30.2	-	-
<b>Total Expenditure</b>		<b>21,844,345</b>	<b>26,947,830</b>
<b>Operating Surplus for the Year</b>		<b>(1,720,113)</b>	<b>6,755,589</b>
Loss on disposal of Property, Plant and Equipment		-	-
Gain on disposal of Property, Plant and Equipment		-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(1,720,113)</b>	<b>6,755,589</b>
Refer to Appendix E(1) for explanation of variances			

# KHAI-MA MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		22,690,272	30,695,465
Cash paid to suppliers and employees		(16,205,987)	(10,858,252)
Cash generated/(absorbed) by operations	45	6,484,285	19,837,213
Interest Received		243,593	239,669
Interest Paid		(361,319)	(330,089)
<b>Net Cash from Operating Activities</b>		<b>6,366,559</b>	<b>19,746,793</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(1,409,154)	(16,692,601)
Proceeds on Disposal of Fixed Assets		-	-
(Increase)/Decrease in Intangible Assets		(433,668)	-
(Increase)/Decrease in Long-term Receivables		-	-
(Increase)/Decrease in Non-current Investments		-	-
<b>Net Cash from Investing Activities</b>		<b>(1,842,822)</b>	<b>(16,692,601)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		(559,942)	(530,919)
Increase/(Decrease) in Consumer Deposits		6,681	5,960
<b>Net Cash from Financing Activities</b>		<b>(553,261)</b>	<b>(524,959)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,970,476</b>	<b>2,529,233</b>
Cash and Cash Equivalents at the beginning of the year		2,522,666	(6,567)
Cash and Cash Equivalents at the end of the year	46	6,493,142	2,522,666
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,970,476</b>	<b>2,529,233</b>



KHAI-MA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
Balance at 1 JULY 2008	12,049	-	28,009,068	28,021,117
Net Surplus/(Deficit) for the year			6,755,589	6,755,589
Correction of Error - Note 43.6			-	-
Revaluation of PPE		4,534,456	-	4,534,456
Donated/contributed PPE			-	-
Property, Plant and Equipment purchased			-	-
Capital Grants used to purchase PPE	592		(592)	-
Transfer to Housing Development Fund			-	-
Asset Disposals		(181,378)	-	-
Offsetting of depreciation			181,378	-
Balance at 30 JUNE 2009	12,641	4,353,078	34,945,443	39,311,162
Correction of Error - Note 43.6	-	-	160,608	160,608
Restated balance	12,641	4,353,078	35,106,051	39,471,770
Net Surplus/(Deficit) for the year			(1,720,113)	(1,720,113)
Transfer to/from CRR			-	-
Revaluation of PPE		-	-	-
Property, Plant and Equipment purchased			-	-
Capital Grants used to purchase PPE	721		(721)	-
Transfer to Housing Development Fund			-	-
Write-offs			-	-
Asset Disposals			-	-
Offsetting of depreciation		(175,951)	175,951	-
Balance at 30 JUNE 2010	13,362	4,177,127	33,561,168	37,751,657

**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE  
FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

<b>GRAP 1</b>	Presentation of Financial Statements
<b>GRAP 2</b>	Cash Flow Statements
<b>GRAP 3</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>GRAP 4</b>	The Effects of changes in Foreign Exchange Rates
<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 9</b>	Revenue from Exchange Transactions
<b>GRAP 10</b>	Financial Reporting in Hyperinflationary Economics
<b>GRAP 11</b>	Construction Contracts
<b>GRAP 12</b>	Inventories
<b>GRAP 13</b>	Leases
<b>GRAP 14</b>	Events after the reporting date
<b>GRAP 16</b>	Investment Property
<b>GRAP 17</b>	Property, Plant and Equipment (PPE)
<b>GRAP 19</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>GRAP 100</b>	Non-Current Assets Held for Sale and Discontinued Operations
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS 6 (AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IFRS 7 (AC144)</b>	Financial Instruments: Disclosure
<b>IFRS 12 (AC102)</b>	Income Taxes
<b>IFRS 19 (AC116)</b>	Employee Benefits
<b>IFRS 32 (AC125)</b>	Financial Instruments: Presentation
<b>IFRS 39 (AC133)</b>	Recognition and Measurement

<b>SIC – 20 (AC421)</b>	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
<b>SIC – 25 (AC425)</b>	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
<b>SIC – 29 (AC429)</b>	Service Concessions Arrangements – Disclosures
<b>IFRIC 2 (AC435)</b>	Members’ Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447) IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC449)</b>	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year’s financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: “Transitional Provisions for Medium and Low Capacity Municipalities” issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories;  
GRAP 13 – Leases;  
GRAP 16 – Investment Property;  
GRAP 17 – Property, Plant and Equipment;  
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;  
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;  
GRAP 102 – Intangible Assets.

## **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

## **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **1.4. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<b>GRAP 18</b>	<b>Segment Reporting</b>
<b>GRAP 21</b>	<b>Impairment of non-cash-generating assets</b>
<b>GRAP 23</b>	<b>Revenue from Non-Exchange Transactions (Taxes and Transfers)</b>
<b>GRAP 24</b>	<b>Presentation of Budget Information in Financial Statements</b>
<b>GRAP 25</b>	<b>Employee Benefits</b>
<b>GRAP 26</b>	<b>Impairment of cash-generating assets</b>
<b>GRAP 103</b>	<b>Heritage Assets</b>

**1.6. FOREIGN CURRENCY TRANSACTIONS**

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

**1.7. RESERVES**

**1.7.1 *Housing Development Fund***

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**1.7.2 *Capital Replacement Reserve (CRR)***

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

**1.7.3 *Revaluation Reserve***

The surplus arising from the revaluation of PPE is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while

gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

An amount equal to the difference between the new (enhanced) annual depreciation expense and the depreciation expenses determined in respect of such items of PPE before the revaluation in question is transferred each year from the revaluation reserve to the Municipality's accumulated surplus.

**1.8. LEASES**

**1.8.1 *Municipality as Lessee***

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

**1.8.2 *Municipality as Lessor***

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**1.9. UNSPENT CONDITIONAL GRANTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.10. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

#### **1.11. EMPLOYEE BENEFITS**

##### **(a) *Post Retirement Medical obligations***

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with

IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(b) *Accrued Leave Pay***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**1.12. PROPERTY, PLANT AND EQUIPMENT**

***1.12.1 Initial Recognition***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

***1.12.2 Subsequent Measurement – Revaluation Model***

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. The fair value is, based on periodic, but at least every four years,

valuations by external independent valuers at the same time as when municipality's valuation roll is prepared.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### **1.12.3 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.12.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years	Other	Years
<b><u>Infrastructure</u></b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and Equipment	10-15
Buildings	30	Other plant and Equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5	Quarries	25
Halls	20-30	Emergency equipment	10
Libraries	20-30	Computer equipment	3
Parks and gardens	15-20		
Other assets	15-20		
<b><u>Heritage assets</u></b>			
No depreciation			
<b><u>Finance lease assets</u></b>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.



An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.12.5 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.13. INTANGIBLE ASSETS**

#### **1.13.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.13.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **1.13.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5-7

### **1.13.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.14. INVESTMENT PROPERTY**

### **1.14.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

### **1.14.2 Subsequent Measurement – Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**1.14.3 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.15. NON-CURRENT ASSETS HELD FOR SALE**

**1.15.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**1.15.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

**1.16. CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**1.17. IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a

pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

## **1.18. INVENTORIES**

### ***1.18.1 Initial Recognition***

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### ***1.18.2 Subsequent Measurement***

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

## **1.19. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

### ***1.19.1 Initial Recognition***

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

### **1.19.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **1.19.2.1 Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **1.19.2.2 Trade and Other Receivables**

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.19.2.3 Trade Payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and

subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.19.2.4**

**Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.19.3 De-recognition of Financial Instruments**

**1.19.3.1**

**Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.19.3.2**

**Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.19.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.20. REVENUE**

#### **1.20.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.20.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.



The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.21. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor and Speaker. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.22. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.23. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.24. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.25. CONTINGENT LIABILITIES**

All known contingent liabilities are reflected in the financial statements.

**1.26. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Operating lease commitments – the Municipality as lessor***

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

***Pension and other post-employment benefits***

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of trade receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, plant and equipment***

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

***Revenue Recognition***

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.20 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the

issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.27. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**1.26. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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KHAL-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>2 HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	13,362	12,641
Unappropriated Surplus	13,362	12,641
Loans extinguished by Government on 1 April 1998	-	-
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>13,362</b>	<b>12,641</b>
<b>3 NET ASSET RESERVES</b>		
<b>RESERVES</b>		
Capital Replacement Reserve	4,177,127	4,353,078
Capitalisation Reserve	-	-
Government Grant Reserve	-	-
Donations and Public Contribution Reserve	-	-
Self Insurance Reserve	-	-
Revaluation Reserve	4,177,127	4,353,078
<b>Total Net Asset Reserve and Liabilities</b>	<b>4,177,127</b>	<b>4,353,078</b>
<b>4 LONG TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	962,966	1,497,084
Capitalised Lease Liability - At amortised cost	9,019	34,843
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>971,985</b>	<b>1,531,927</b>
Annuity Loans - At amortised cost	(120,382)	(61,066)
Capitalised Lease Liability - At amortised cost	(111,363)	(35,262)
<b>Less:</b> Unamortised charges on loans	<b>(9,019)</b>	<b>(25,824)</b>
Balance 1 July	851,603	1,470,841
Adjustment for the period - Note 33	(608,703)	(1,107,633)
Restatement of prior year comparatives - Note 45	(1,107,633)	(1,596,182)
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>498,930</b>	<b>488,549</b>
Annuity loans at amortised cost is calculated at 5%-14% interest rate, with first maturity date of 29 February 2012 and last maturity date of 30 June 2012. The schedule of contractual maturity analysis for Annuity Loans:	<b>242,900</b>	<b>363,208</b>
The obligations under annuity loans are scheduled below:		
Amounts payable under annuity loans:		
Payable within one year	602,009	24,218
Payable within two to five years	409,512	48,436
Payable after five years	-	-
<b>Less:</b> Future finance obligations	<b>1,011,621</b>	<b>72,654</b>
<b>Present value of annuity obligations</b>	<b>(48,656)</b>	<b>(14,937)</b>
The obligations under finance leases are scheduled below:	<b>962,966</b>	<b>57,717</b>
Amounts payable under finance leases:		
Payable within one year	9,160	27,552
Payable within two to five years	-	9,160
Payable after five years	-	-
<b>Less:</b> Future finance obligations	<b>9,160</b>	<b>36,712</b>
<b>Present value of lease obligations</b>	<b>(140)</b>	<b>(1,869)</b>
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.	<b>9,019</b>	<b>34,843</b>
Leases are secured by property, plant and equipment - Note 15		

KHAL-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5

EMPLOYEE BENEFITS

	2010 R	2009 R
Provision for Post Retirement Benefits	2,310,466	2,142,624
	<u>2,310,466</u>	<u>2,142,624</u>
<i>Post Retirement Benefits</i>		
Balance 1 July	2,233,884	2,152,606
Contribution for the year	266,103	250,473
Expenditure for the year	(91,260)	(82,824)
Actuarial Loss/(Gain)	-	(126,371)
<b>Total provision 30 June</b>	<b>2,408,727</b>	<b>2,233,884</b>
<b>Less: Transfer of Current Portion to Current Provisions - Note 8</b>	<b>(98,261)</b>	<b>(91,260)</b>
<b>Balance 30 June</b>	<b>2,310,466</b>	<b>2,142,624</b>

5.1 Provision for Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as

In-service (employee) members  
Continuation members (e.g. Retirees, widows, orphans)

Total Members

	2010 R	2009 R
11	11	11
4	4	4
15	15	15
	<u>2,408,727</u>	<u>2,233,884</u>
	<u>2,408,727</u>	<u>2,233,884</u>

The liability in respect of past service has been estimated to be as follows:

In-service members  
Continuation members

Total Liability

The municipality makes monthly contributions for health care arrangements to the following medical aid

LA Health  
Key Health

The Current-service Cost for the ensuing year is estimated to be R 64,362, whereas the Interest Cost for

Key actuarial assumptions used:

	2010 %	2009 %
I) Rate of Interest		
Discount rate	9.22%	9.22%
Health Care Cost Inflation Rate	7.67%	7.67%
Net Effective Discount Rate	1.43%	1.43%

II) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2,408,727	2,233,884
Fair value of plan assets	-	-
	<u>2,408,727</u>	<u>2,233,884</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<b>2,408,727</b>	<b>2,233,884</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2,233,884	2,152,606
Total expenses	174,843	207,649
Current service cost	64,362	60,751
Interest Cost	201,741	229,722
Benefits Paid	(91,260)	(82,824)
Actuarial (gains)/losses	-	(126,371)
<b>Present value of fund obligation at the end of the year</b>	<b>2,408,727</b>	<b>2,233,884</b>

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Reconciliation of fair value of plan assets:

	2010 R	2009 R
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	-	-

	Change	Liability (Rm)	% change
Assumption	0	266,100	0.00%
Central assumptions	+1 %	315,600	19.00%
Health Care Inflation	-1 %	226,600	-15.00%
Health Care Inflation	-1 yr	274,700	3.00%
Post Retirement Mortality	-1 yr	278,300	5.00%
Average retirement age	-50 %	280,800	5.00%
Withdrawal rates			

5.1

Retirement funds

CAPE JOINT PENSION FUND

This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 16% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R 0 (R192,733) million with a funding level of 100.3% (103.3%), and is in a sound financial state as at 30 June 2009.

CAPE JOINT RETIREMENT FUND

This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9.0%) and Council (16.0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R0 (R 12,033) million with a funding level of 100.8% (103.3%) and is in a sound financial position as at 30 June 2009.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and council (15%). The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

6

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites  
Total Non-current Provision Liabilities

	2010 R	2009 R
	2,988,727	2,750,000
	<u>2,988,727</u>	<u>2,750,000</u>

Landfill Sites

Balance 1 July  
Contribution for the year  
Expenditure for the year

	2,750,000	2,550,273
	238,727	189,727
	-	-

Total provision 30 June

	<u>2,988,727</u>	<u>2,750,000</u>
--	------------------	------------------

Less: Transfer of Current Portion to Current Provisions - Note 8

Balance 30 June

	-	-
	<u>2,988,727</u>	<u>2,750,000</u>

TOTAL NON-CURRENT PROVISIONS

Balance 1 July  
Contribution for the year  
Expenditure for the year  
Actuarial Loss/(Gain)

	2,750,000	2,550,273
	238,727	189,727
	-	-
	-	-

Total provision 30 June

	<u>2,988,727</u>	<u>2,750,000</u>
--	------------------	------------------

Less: Transfer of Current Portion to Current Provisions - Note 8

Balance 30 June

	-	-
	<u>2,988,727</u>	<u>2,750,000</u>

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>6.1 Provision for the rehabilitation of landfill-sites</b>		
Balance 1 July	2,750,000	2,560,273
Charged/(credited) to the income statement	238,727	189,727
Additional provisions	238,727	189,727
Contribution to provision - Change in Accounting Policy	-	-
Reversal of provision overstated	-	-
Transfer to current portion	-	-
Balance 30 June	<u>2,988,727</u>	<u>2,750,000</u>

In terms of the licensing of the landfill refuse site, the municipality will incur rehabilitation costs in future to restore the sites at the end of their useful lives, estimated to be in 2015. Provision has been made for closing- and rehabilitation costs till date. The municipality is in process to calculate the projected cost of rehabilitation in 2015.

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 60

<b>7</b>	<b>CONSUMER DEPOSITS</b>	
	Water and Electricity	54,448
	<b>Total Consumer Deposits</b>	<u>54,448</u>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

**Guarantees held in lieu of Water Deposits**

<b>8</b>	<b>CURRENT EMPLOYEE BENEFITS</b>	
	Performance Bonuses	-
	Staff Leave	-
	Balance previously reported	487,975
	Change in accounting policy - refer note	-
	Current Portion of Non-Current Employee Benefits	<u>487,975</u>
	Current Portion of Post Retirement Benefits - Note 6	96,261
	<b>Total Employee Benefits</b>	<u>96,261</u>
		<u>566,236</u>
		<u>567,201</u>

The movement in current provisions are reconciled as follows:

<b>Staff Leave</b>	
Balance at beginning of year	475,941
Contribution to provision	198,664
Expenditure incurred	(206,529)
Balance at end of year	<u>467,975</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

<b>9</b>	<b>PROVISIONS</b>	
	Current Portion of Non-Current Provisions - Note 6	-
	<b>Total Provisions</b>	<u>-</u>

<b>10</b>	<b>TRADE AND OTHER PAYABLES</b>	
	Payments received in advance	117,610
	Sundry Creditors	59,783
	Other Creditors	4,184,038
	Deposits: Other	-
	<b>Total Trade Payables</b>	<u>4,301,648</u>
		<u>5,057,585</u>

**11 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

**11.1 Conditional Grants from other spheres of Government**

Unspent Grants	8,894,364	2,750,661
National and Provincial Government Grants	8,894,364	2,750,661
Correction of error - Note	8,894,364	2,750,661
Restated balance 30 June 2007	-	-
<b>Less: Unpaid Grants</b>	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
Other Sources	-	-
<b>Total Conditional Grants and Receipts</b>	<u>8,894,364</u>	<u>2,750,661</u>



**KHAI-MA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

See appendix "F" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Unspent Grants not cash-banked on 30 June 2010 amounts to R1 871 641. The remaining Unspent Grants are cash-backed by term deposits.

		2010	2009
		R	R
12	<b>UNSPENT CONDITIONAL PUBLIC CONTRIBUTIONS AND RECEIPTS</b>		
	Unspent augmentation fees from developers		
13	<b>TAXES</b>		
	VAT Payable		
	VAT Receivable	402,914	324,338
14	<b>SHORT-TERM LOANS</b>		
	The Municipality has no short term loans.		





The leased property, plant and equipment is secured as set out in Note 5.

Land and Buildings were revalued on 1 July 2008 by an independent valuer, Valdata. Fair values were determined by reference to observable prices in the active market or recent market transactions on arm's length transactions.

The book value of Property, Plant and Equipment would have been R41 383 847 on 30 June 2010, if no revaluation took place.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;  
 Property, Plant and Equipment financed by way of finance leases;  
 Property, Plant and Equipment financed by way of provisions;  
 Property, Plant and Equipment transferred as a result of the transfer of functions; and  
 Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2010 R 2009 R

Fully Depreciated assets still in use were as follows:

Cost		
Land and Buildings		
Infrastructure		
Community Assets		
Lease Assets		
Heritage		
Other		
Accumulated depreciation		
Land and Buildings		
Infrastructure		
Community Assets		
Lease Assets		
Heritage		
Other		
Carrying value		

Carrying value of assets retired from active use and held for disposal:

Cost		
Land and Buildings		
Infrastructure		
Community Assets		
Lease Assets		
Heritage		
Other		
Accumulated depreciation		
Land and Buildings		
Infrastructure		
Community Assets		
Lease Assets		
Heritage		
Other		
Carrying value		

Carrying value of temporarily idle property plant and equipment:

Cost		
Land and Buildings		
Infrastructure		
Community Assets		
Lease Assets		
Heritage		
Other		
Accumulated depreciation		
Land and Buildings		
Infrastructure		
Community Assets		
Lease Assets		
Heritage		
Other		
Carrying value		

Third party payments received for losses incurred:

Payments received (Excluding VAT)		
Carrying value of assets written off/lost		
Surplus/Deficit		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

**Impairment of property plant and equipment**

Impairment charges on Property, plant and equipment recognised in statement of financial performance

	2010 R	2009 R
Land and Buildings	-	6,966,666
Infrastructure	-	27,227
Community Assets	-	767,794
Lease Assets	-	-
Heritage	-	-
Other	135	161,121
	<u>135</u>	<u>7,922,807</u>

**Cumulative Impairment charges included in major balances**

Land and Buildings	6,966,666	6,966,666
Infrastructure	27,227	27,227
Community Assets	767,794	767,794
Lease Assets	-	-
Heritage	-	-
Other	161,256	161,121
	<u>7,922,942</u>	<u>7,922,807</u>

**Effect of changes in accounting estimates**

	2010 R	2011 R	2012 R
Effect on Property, plant and equipment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

**Details of property plant and equipment carried at fair value**

Reconciliation of revaluation surplus:

Opening balance	4,353,078	-
Movement for the period	(175,951)	4,353,078
Closing balance	<u>4,177,127</u>	<u>4,353,078</u>

**NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets held for sale at beginning of year - at book value  
Additions for the year

	-	-
	<u>-</u>	<u>-</u>

Non-current assets sold/written off during the year

	-	-
	<u>-</u>	<u>-</u>

Non-current assets held for sale at end of year - at book value

	-	-
	<u>-</u>	<u>-</u>

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 63

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010  
R

2009  
R

17

INVESTMENT PROPERTY

Net Carrying amount at 1 July	-	-
Cost	-	-
Accumulated Depreciation	-	-
Transfer to Property, Plant and Equipment - Note 15	-	-
Cost	-	-
Accumulated Depreciation	-	-
Acquisitions	-	-
Depreciation for the year	-	-
Net Carrying amount at 30 June	-	-
Cost	-	-
Accumulated Depreciation	-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 63

18

INTANGIBLE ASSETS

Net Carrying amount at 1 July	-	-
Change in Accounting Policy - Transfer from Property, Plant and Equipment	-	-
Cost	-	-
Accumulated Amortisation	-	-
Acquisitions	433,668	-
Amortisation	(5,539)	-
Disposals	-	-
Amortisation written back on disposal	-	-
Net Carrying amount at 30 June	428,129	-
Cost	433,668	-
Accumulated Amortisation	(5,539)	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 59  
No intangible asset were assed having an indefinite useful life.  
There are no intangible assets whose title is restricted.  
There are no intangible assets pledged as security for liabilities  
There are no contractual contractual commitments for the acquisition of intangible assets.

19

INVESTMENTS

Financial Instruments

<u>Unlisted</u>	-	-
Long term deposits	-	-
Total Investments	-	-

No Investments have been pledged as security for any funding facilities of the council.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
<b>20</b>		
<b>LONG TERM RECEIVABLES</b>		
Staff Car Loans - At amortised cost	-	-
<b>Less:</b> Unamortised Discount on Loans	-	-
Balance 1 July		
Adjustment for the period		
Change in Accounting Policy - Note 43.3		
<b>Less:</b> Current portion transferred to current receivables		
Staff Car Loans - At amortised cost	-	-
<b>Less:</b> Provision for Impairment of Long Term Receivables	-	-
<b>Total Long Term Receivables</b>	-	-
<b>INVENTORY</b>		
Housing-Inventory held for transfer	1,051,850	1,055,550
Water - At purification cost	14,779	8,083
<b>Total Inventory</b>	<b>1,066,629</b>	<b>1,063,633</b>
<b>21</b>		
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
<b>22</b>		
<b>TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Electricity	382,578	314,247
Water	2,207,636	5,075,468
Refuse	824,117	674,246
Sewerage	892,821	755,459
Recognition - Water debt	90,060	20,759
Recognition - Electricity debt	56,801	42,192
Recognition - Sewerage debt	825	2,544
Other Receivables	304,205	98,063
<b>Total: Trade receivables from exchange transactions (before provision)</b>	<b>4,759,043</b>	<b>6,982,977</b>
Provision for Impairments	(3,500,515)	(4,546,711)
<b>Total: Trade receivables from exchange transactions (after provision)</b>	<b>1,258,528</b>	<b>2,434,267</b>
The fair value of other receivables approximate their carrying value.		
<b>(Electricity, Water and Sewerage): Ageing</b>		
Current (0 - 30 days)	<sup>1</sup> 516,141	4,024
Previous	257,570	554,435
31 - 60 Days	275,324	268,185
61 - 90 Days	3,258,115	187,574
+ 90 Days		5,805,192
<b>Total</b>	<b>4,307,152</b>	<b>6,819,419</b>
<b>Summary of Debtors by Customer Classification</b>		
	<b>Residential</b>	<b>Industrial/ Commercial</b>
<b>30 JUNE 2010</b>		<b>National and Provincial Government</b>
Current (0 - 30 days)	<sup>1</sup> 424,087	73,162
Previous	242,123	11,154
31 - 60 Days	262,521	10,760
61 - 90 Days	3,185,504	70,114
+ 90 Days	4,114,535	165,189
Sub-total	(3,365,405)	(135,110)
<b>Less:</b> Provision for bad debts		-
<b>Total debtors by customer classification</b>	<b>749,230</b>	<b>30,079</b>



# KHALIMA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### Summary of Debtors by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
<b>30 JUNE 2009</b>			
Current (0 - 30 days)			
Previous	4,024	63,577	39,211
31 - 60 Days	466,671	8,347	704
61 - 90 Days	258,943	8,837	280
+ 90 Days	178,659	62,338	6,041
Sub-total	5,630,083	143,100	46,236
Less: Provision for bad debts	(4,452,608)	(96,103)	
<b>Total debtors by customer classification</b>	<b>2,177,475</b>	<b>46,998</b>	<b>46,236</b>

	2010 R	2009 R
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	4,548,711	4,522,323
Contribution to provision	2,692,637	26,388
Bad Debts (written off)	(3,740,832)	-
<b>Balance at end of year</b>	<b>3,500,515</b>	<b>4,548,711</b>

The total amount of this provision is R 4,548,711 and consist of:

Rates	3,500,515	4,548,711
Other Debtors	-	-
<b>Total Provision for Bad Debts on Trade Receivables from exchange transactions</b>	<b>3,500,515</b>	<b>4,548,711</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

23

### OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	1,026,964	2,332,566
Other Debtors	723,725	92,360
Irregular, Fruitless and Wasteful Expenditure - Receivables	32,917	32,917
Suspense Accounts	75,543	65,582
VAT		
<b>Less: Provision for bad debts</b>	<b>1,859,150</b>	<b>2,523,425</b>
<b>Total Other Receivables from non-exchange transactions</b>	<b>(151,923)</b>	<b>(1,556,122)</b>
	<b>1,707,227</b>	<b>967,303</b>

The fair value of other receivables approximate their carrying value.

### (Rates): Ageing

Current (0 - 30 days)		
Previous	35,290	42,049
31 - 60 Days	16,275	22,852
61 - 90 Days	14,722	22,278
+ 90 Days	960,676	2,245,387
<b>Total</b>	<b>1,026,964</b>	<b>2,332,566</b>

**KHAI-MA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

Summary of Debtors (Rates) by Customer Classification

**30 JUNE 2010**

Current (0 - 30 days)			
Previous	-	9,278	224
31 - 60 Days	25,788	4,642	223
61 - 90 Days	11,410	4,604	237
+ 90 Days	9,881	65,284	4,749
Sub-total	890,643		
Less: Provision for bad debts	937,721	83,809	5,433
	(139,459)	(12,464)	
<b>Total debtors by customer classification</b>	<b>798,263</b>	<b>71,345</b>	<b>5,433</b>

Summary of Debtors (Rates) by Customer Classification

	<b>Residential</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>
<b>30 JUNE 2009</b>			
Current (0 - 30 days)			
Previous	36,889	4,973	187
31 - 60 Days	22,063	602	187
61 - 90 Days	21,445	848	186
+ 90 Days	2,180,365	63,296	1,725
Sub-total	2,260,762	69,519	2,286
Less: Provision for bad debts	(147,391)	(4,532)	
<b>Total debtors by customer classification</b>	<b>2,113,371</b>	<b>64,986</b>	<b>2,286</b>

Reconciliation of Provision for Bad Debts

Balance at beginning of year	1,556,122
Contribution to provision	3,845
Bad Debts (written off)	(1,408,044)
Balance at end of year	<b>151,923</b>

The total amount of this provision is R 955 927 and consist of:

<b>Taxes</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	151,923	1,556,122
	3,845	-
	(1,408,044)	-
	<b>151,923</b>	<b>1,556,122</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

24

**OPERATING LEASE ARRANGEMENTS**

**24.1**

**The Municipality as Lessee**

Leases not previously recognised - Note

**Balance on 30 June**

-	-
-	-

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010  
R

2009  
R

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	-	-
1 to 5 Years	-	-
More than 5 Years	-	-
<b>Total Operating Lease Arrangements</b>	<b>-</b>	<b>-</b>

**Reconciliation**

Amount previously recorded (Through change in accounting policy)  
Change in accounting policy - Note  
Movement during the year

	-	-
	-	-
	-	-

**Balance on 30 June**

**The Municipality as Lessor**

Leases not previously recognised - Note

	-	-
	-	-
	-	-

**Balance on 30 June**

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	82,470	53,795
1 to 5 Years	287,319	114,578
More than 5 Years	-	-
<b>Total Operating Lease Arrangements</b>	<b>369,789</b>	<b>178,472</b>

**Reconciliation**

Amount previously recorded (Through change in accounting policy)  
Change in accounting policy - Note  
Movement during the year

	-	-
	-	-
	-	-

**Balance on 30 June**

**CASH AND CASH EQUIVALENTS**

25

**Assets**

Call Investments Deposits  
Watersupply Pefadder (007)  
Municipal System Improvement Grant (007)  
Leave Gratiuity (007)  
Library (007)  
Housingfund (007)  
Refuse Site (007)  
LGSETA (007)  
Other Deposits  
NDFT Fencing of graveyards (007)  
SKEP -Hikingtrail (007)  
Build of 150 Houses (009)  
Build of 30 Houses (013)  
Municipal Infrastructure Grant (007)  
Finance Management Grant (010)  
Municipal Infrastructure Grant (L-Gov) 015  
Primary Bank Account  
Cash Floats

9,242	26,855
29,941	736,267
-	56,308
14,296	281,003
13,362	12,048
41,764	41,764
24,751	42,030
200,000	200,000
9,181	9,181
-	12,169
-	-
0	87,994
6,633,471	286,257
2,296	977,511
244,425	326,796
-	-
100	100
<b>7,222,829</b>	<b>3,078,285</b>

**Total Cash and Cash Equivalents - Assets**

**Liabilities**

Primary Bank Account

729,687	555,619
<b>729,687</b>	<b>555,619</b>

**Total Cash and Cash Equivalents - Liabilities**

Call Investments Deposits are held to fund the Unspent Conditional Grants.

# KHAL-MA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The municipality has the following bank accounts:

### **Current Accounts**

Standard Bank Limited – Potladder Branch Account Number 04 185 0173

2010  
R

2009  
R

	(729,687)	(555,619)
	<u>(729,687)</u>	<u>(555,619)</u>

**Standard Bank Limited – Potladder Branch Account Number 04 185 0173**

Cash book balance at beginning of year

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

	(555,619)	(788,756)
	<u>(729,687)</u>	<u>(555,619)</u>
	<u>(503,537)</u>	<u>(601,556)</u>
	<u>(640,411)</u>	<u>(503,637)</u>

The Municipality has a bank overdraft facility of R700,000.

R200,000 of the call account balance is pledged as security for the overdraft facility..

### **PROPERTY RATES**

#### **Actual**

#### **Rateable Land and Buildings**

Residential / Commercial Property

Agricultural Purposes

State - National / Provincial Services

	7,813,958	7,106,531
	2,732,881	2,482,824
	<u>5,086,078</u>	<u>4,623,707</u>
	-	-

**Less: Rebates**

	(6,216,615)	(5,641,416)
--	-------------	-------------

#### **Total Assessment Rates**

	<u>1,602,143</u>	<u>1,465,115</u>
--	------------------	------------------

#### **Valuations - 1 JULY 2009**

#### **Rateable Land and Buildings**

Residential / Commercial Property

Agricultural Purposes

State - National / Provincial Services

	355,326,530	355,326,530
	238,614,980	203,805,630
	<u>108,508,950</u>	<u>142,581,000</u>
	<u>8,202,500</u>	<u>8,938,900</u>
	<u>(282,566,338)</u>	<u>(282,070,768)</u>
	<u>72,760,192</u>	<u>73,256,762</u>

**Less: Income Forgone**

--	--	--

#### **Total Assessment Rates**

The applicable rates that are applied to property valuations to determine assessment rates are as follows:- Agricultural land - 0.0005 cents per rand, land and improvements -0.028 cents per rand. A discount of 20% was granted to the State

26

### **GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share

DWAF operating grants

DWAF capital grants

Finance management grant

Library

NDM operating grant

NDM capital grant

MSG

Extension Library

MIS- Upgrading of sewerage

Department of Housing and Local Government

Department of Housing and Local Government: Housing

DBSA-Hiking trail

LG Seta

Other grants

	7,682,876	5,873,205
	-	541,103
	15,450	17,800
	2,027,716	512,802
	198,082	144,059
	518,789	250,000
	621,426	33,168
	220,059	86,823
	196,530	10,826
	259,375	755,689
	72,921	-
	205,015	1,478,404
	12,169	42,839
	21,458	-
	-	16,388
	<u>12,053,865</u>	<u>9,763,104</u>

#### **Total Government Grants and Subsidies**

The municipality does not expect any significant changes to the level of grants.

Unspent conditional Dora, specific grants are instructed by use to conditions contain in the grant business plan where the grants are unspent or not committed such funds will be reversed back to National Treasury.

**KHALIMA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

		2010 R	2009 R
<b>28</b>	<b>PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
	Black Mountain BVI Engineers	1,000 2,000 <u>3,000</u>	3,500 900 <u>4,400</u>
<b>29</b>	<b>CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT</b>		
	Land Affairs - Land	- <u>-</u>	15,865,295 <u>15,865,295</u>
<b>30</b>	<b>CHANGES IN FAIR VALUE</b>		
<b>30.1</b>	<b>Transactions that gives an Increase in surplus</b>		
	Fair value changes in Investment Properties		
	Unamortised discount - Interest		
	<b>Total changes in fair value</b>	<u>-</u>	<u>-</u>
<b>30.2</b>	<b>Transactions that gives an decrease in surplus</b>		
	Unamortised discount - Interest		
	Fair value changes in Investment Properties		
	<b>Total changes in fair value</b>	<u>-</u>	<u>-</u>
<b>31</b>	<b>OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		
	None		
<b>32</b>	<b>SERVICE CHARGES</b>		
	<b>Electricity</b>		
	Service Charges	2,905,149	2,336,453
	<b>Less:</b> Income Forgone	3,151,617 (246,468)	2,519,440 (182,987)
	<b>Water</b>		
	Service Charges	1,112,142	1,816,023
	<b>Less:</b> Income Forgone	3,659,322 (2,546,180)	2,652,155 (837,132)
	<b>Refuse Removal</b>		
	Service Charges	377,429	331,151
	<b>Less:</b> Income Forgone	1,317,431 (940,002)	1,165,845 (834,494)
	<b>Sewerage and Sanitation Charges</b>		
	Service Charges	575,806	502,888
	<b>Less:</b> Income Forgone	1,534,708 (958,902)	1,322,965 (820,077)
	<b>Other Service Charges - Private Works</b>		
	<b>Total Service Charges</b>	<u>-</u> <u>4,970,526</u>	<u>-</u> <u>4,986,515</u>

**KHALIMA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

		2010 R	2009 R
<b>33</b>	<b>OTHER INCOME</b>		
	Tariff Charges other	248,568	127,305
	Sale of erven	-	5,800
	<b>Total Other Income</b>	<b>248,568</b>	<b>134,105</b>
<b>34</b>	<b>UNAMORTISED DISCOUNT - INTEREST</b>		
	Annuity Loans - Note 4	498,930	488,549
	<b>Total Unamortised Discount - Interest</b>	<b>498,930</b>	<b>488,549</b>
<b>35</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Employee Related Costs - Salaries and Wages	3,358,663	3,016,720
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	614,515	668,336
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	368,925	472,528
	Housing Benefits and Allowances	29,015	50,017
	Overtime Payments	260,988	162,280
	Bonuses	225,445	245,415
	Provision for leave	198,664	528,116
	Provision for leave	-	-
	Contribution to provision - Post Retirement Medical - Note 8	(26,898)	(22,073)
	<b>Less: Employee Costs allocated elsewhere</b>	<b>5,023,017</b>	<b>5,121,338</b>
	<b>Total Employee Related Costs</b>	<b>5,023,017</b>	<b>5,121,338</b>
	<b>KEY MANAGEMENT PERSONNEL</b>		
	Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<i>Remuneration of the Municipal Manager</i>		
	Annual Remuneration	299,977	239,907
	Performance Bonuses	-	-
	Bonus	18,325	19,992
	Leave Pay	71,013	-
	Car Allowance	29,012	116,050
	Housing benefits and other allowances	8,440	33,760
	Contributions to UIF, Medical and Pension Funds	18,439	71,287
	<b>Total</b>	<b>445,207</b>	<b>480,996</b>
	<i>Remuneration of the Chief Finance Officer</i>		
	Annual Remuneration	207,490	183,619
	Performance Bonuses	-	-
	Bonus	16,908	15,302
	Car Allowance	93,150	84,474
	Housing benefits and other allowances	5,683	5,683
	Contributions to UIF, Medical and Pension Funds	66,175	58,771
	<b>Total</b>	<b>389,406</b>	<b>347,849</b>
	<i>Remuneration of Director : Community and Social Services</i>		
	Annual Remuneration	129,331	172,540
	Performance Bonuses	-	-
	Bonus	18,536	14,378
	Car Allowance	43,097	64,775
	Leave Pay	34,097	-
	Housing benefits and other allowances	11,209	16,899
	Contributions to UIF, Medical and Pension Funds	998	1,497
	<b>Total</b>	<b>237,268</b>	<b>270,089</b>

KHALIMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>Remuneration of Director : Corporate and Support Services</b>		
Annual Remuneration	194,971	180,884
Acting Remuneration	49,250	28,069
Performance Bonuses		-
Bonus	15,888	14,378
Car Allowance	81,912	81,524
Leave Pay	60,248	-
Housing benefits and other allowances	16,899	16,899
Contributions to UIF, Medical and Pension Funds	1,497	1,497
<b>Total</b>	<b>420,665</b>	<b>323,261</b>
<b>REMUNERATION OF COUNCILLORS</b>		
Mayor	337,639	322,524
Councillors	700,816	550,990
Travelling Allowances,	311,513	291,534
Cell Phone Allowances	71,489	81,195
<b>Total Councillors' Remuneration</b>	<b>1,421,457</b>	<b>1,246,244</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
<b>DEBT IMPAIRMENT</b>		
Trade Receivables from exchange transactions - Note 22	2,692,637	26,388
Long-term Receivables - Note 20	-	-
Other Receivables from non-exchange transactions - Note 23	3,945	-
<b>Total Contribution to Bad Debts Provision</b>	<b>2,696,483</b>	<b>26,388</b>
<b>ITEMS OF PPE DERECOGNISED</b>		
Property, Plant and Equipment	135	7,922,807
Inventory	3,700	15,450
	<b>3,835</b>	<b>7,938,257</b>
<b>FINANCE CHARGES</b>		
Long-term Liabilities	70,656	96,788
Employee Benefits	201,741	229,722
Overdraft Facilities	88,922	3,579
<b>Total finance charges</b>	<b>361,319</b>	<b>330,089</b>
<b>BULK PURCHASES</b>		
Electricity	2,102,689	1,541,260
Water	1,061,215	884,121
<b>Total Bulk Purchases</b>	<b>3,163,904</b>	<b>2,395,380</b>
<b>GRANTS AND SUBSIDIES PAID</b>		
Grants-in-aid and Donations	-	-
Institutions	-	-
<b>Total Grants and Subsidies</b>	<b>-</b>	<b>-</b>

**KHAI-MA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

42	GENERAL EXPENSES	2010 R	2009 R
	Advertisements	7,936	10,818
	Audit Fees	459,071	629,455
	Bank Charges	93,983	59,070
	Cleansing	10,638	5,542
	Commission - sale of electricity	22,048	34,746
	Electricity	526,889	392,367
	Fuel Vehicles	367,315	421,517
	Insurance	298,912	289,875
	Legal Fees	393,055	558,388
	Materials	75,743	59,214
	Membership Fees	117,855	29,895
	Postage and Telephone	285,010	255,764
	Printing and Stationary	95,891	74,729
	Travel Expenses	451,995	342,839
	Uniforms and Protective Clothing	11,288	12,268
	Other Projects	2,671,483	3,563,428
	<b>Total General Expenses</b>	<b>5,889,093</b>	<b>6,739,916</b>
43	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP/GRAP:		
43.1	<b>Revaluation Reserve</b>		2009
	Balance previously reported:		4,353,078
	Incorrect depreciation transferred to revaluation reserve in 2009		-
	<b>Total</b>		<b>4,353,078</b>
43.2	<b>Trade Receivables from Exchange Transactions</b>		
	Balance previously reported:	2,423,867	
	Rental agreements that should have been levied during the 2008/2009 financial year	10,400	
	<b>Total</b>	<b>2,434,267</b>	
43.3	<b>Trade Payables</b>		
	Balance previously reported:	5,537,527	
	Tender Fees disclosed as Deposits Other in 2009	(4,201)	
	<b>Total</b>	<b>5,533,326</b>	
43.4	<b>Property, Plant and Equipment - GRAP 17</b>		
	Balance previously reported	59,533,852	
	Implementation of GRAP		
	Correction of understated Land and Buildings for 2009 financial year	53,100	
	<b>Total</b>	<b>59,586,952</b>	
43.5	<b>Accumulated Depreciation - GRAP 17</b>		
	Balance previously reported	13,794,766	
	Correction of Depreciation Balance due to the take-on of assets	(109,901)	
	2009 Depreciation not recognised in prior year	2,393	
	Transfer to Accumulated Surplus/(Deficit) - Note 43.5	<b>13,687,258</b>	
43.6	<b>Accumulated Surplus/(Deficit)</b>		
	Implementation of GRAP	2009	R
	Revaluation Reserve - Note 43.1	-	-
	Trade Receivables from Exchange Transactions - Note 43.2	10,400	10,400
	Trade Payables - Note 43.3	4,201	4,201
	Property, Plant and Equipment - Note 43.4	53,100	53,100
	Correction of Accumulated Depreciation - Note 43.5	107,508	107,508
	<b>Total</b>	<b>175,209</b>	<b>175,209</b>



**KHAL-MA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

2009  
R

**44 CHANGE IN ACCOUNTING POLICY**

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has transitional provisions for some of the GRAP Standards. These provisions were not adopted in the prior year and are now adopted.

<b>44.1</b>	<b>Long Term Liabilities</b>	
	Balance previously reported	389,451
	Implementation of GRAP	
	Finance Leases reclassified under Long term Liabilities	34,843
	<b>Total</b>	<b>424,294</b>
<b>44.2</b>	<b>Finance Leases</b>	
	Balance previously reported	34,843
	Transferred to Long Term Liabilities - Note 44.1	(34,843)
	<b>Total</b>	<b>-</b>
<b>44.3</b>	<b>Non-Current Provisions</b>	
	Balance previously reported	4,983,884
	Implementation of GRAP	
	Provision for Post Retirement Benefits transferred to Employee Benefits in terms of IAS 19 - Note 44.4	(2,233,884)
	<b>Total</b>	<b>2,750,000</b>
<b>44.4</b>	<b>Employee Benefits</b>	
	Balance previously reported	-
	Provision for Post Retirement Benefits transferred from Non-Current Provisions in terms of IAS 19 - Note 44.3	2,233,884
	<b>Total</b>	<b>2,233,884</b>
<b>44.5</b>	<b>Current Employee Benefits</b>	
	Balance previously reported	-
	Staff Leave transferred from Trade Payables in terms of IAS 19 - Note 44.5	475,941
	<b>Total</b>	<b>475,941</b>
<b>44.6</b>	<b>Trade Payables</b>	
	Balance previously reported	5,537,527
	Staff Leave transferred to Current Employee Benefits in terms of IAS 19 - Note 44.6	(475,941)
	Correction of Error - Note 43.2	(4,201)
	<b>Total</b>	<b>5,057,385</b>

**45 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**

Surplus/(Deficit) for the year	(1,720,113)	6,755,589
<b>Adjustments for:</b>		
Depreciation and amortisation	1,439,983	1,680,466
Impairments	238,727	7,922,807
Contribution from/to provisions - Non-Current	198,664	189,727
Contribution from/to Employee Benefits - Current	(206,629)	517,633
Contribution from/to Employee Benefits - Non-Current	266,103	(54,916)
Contribution from/to Employee Benefits - Non-Current - Expenditure Incurred	(91,260)	290,473
Contribution from/to Employee Benefits - Non-Current - Actuarial losses	-	(52,824)
Contribution from/to Employee Benefits - Non-Current - Actuarial gains	-	-
Contribution to provisions - Bad debt	2,696,483	(126,371)
Bad Debt Written off	(5,148,877)	26,388
Unamortised discount - Interest - Expenditure	488,930	488,549
Investment income	(243,593)	(239,666)
Interest paid	361,319	330,089
Operating Surplus/(Deficit) before changes in working capital	(1,710,119)	17,897,940
Changes in working capital	8,194,404	2,139,273
Increase/(Decrease) in Trade and Other Payables	(755,937)	2,878,752
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	6,143,703	2,013,845
Increase/(Decrease) in Taxes	(78,576)	(324,338)
(Decrease)/Increase in housing development fund	-	-
(Increase)/Decrease in Inventory	(2,995)	14,960
(Increase)/Decrease in Trade Receivables from exchange transactions	2,223,934	(2,322,147)
(Increase)/Decrease in Other Receivables from non-exchange transactions	684,275	(121,789)
<b>Cash generated/(absorbed) by operations</b>	<b>6,484,285</b>	<b>19,837,213</b>

KHALIMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>46</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 25	7,222,729	3,078,185
Cash Floats - Note 25	100	100
Bank - Note 25	(729,687)	(555,619)
Bank overdraft - Note 25		
<b>Total cash and cash equivalents</b>	<b>6,493,142</b>	<b>2,522,666</b>
<b>47</b>		
<b>CASH RECONCILIATION</b>		
Cash and Cash Equivalents - Note 25	5,493,142	2,522,666
Investments - Note 19	-	
Less:		
Unspent Committed Conditional Grants - Note 11	6,493,142	2,522,666
Unspent Public Contribution - Note 12	8,907,726	2,763,302
VAT - Note 13		
Cash Portion of Housing Development Fund - Note 2	8,894,364	2,750,661
<b>Net cash resources available for internal distribution</b>	<b>-</b>	<b>-</b>
<b>Allocated to:</b>	<b>13,362</b>	<b>12,641</b>
	<b>(2,414,584)</b>	<b>(240,636)</b>
Capital Replacement Reserve		
<b>Resources available for working capital requirements</b>	<b>(2,414,584)</b>	<b>(240,636)</b>
<b>48</b>		
<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 4	971,985	1,531,927
Used to finance property, plant and equipment - at cost	(971,985)	(1,531,927)
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act		

## KHAL-MA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## BUDGET COMPARISONS

49.1

## Operational

## Revenue by source

	2010 R	(Actual)	2010 R	(Budget)	2010 R	(Variance)	2010 (%)
Property Rates	1,602,143		1,604,340		(2,197)		-0.14%
Government Grants and Subsidies	12,053,865		23,629,610		(11,575,745)		-48.99%
Public Contributions and Donations	3,000		-		3,000		0.00%
Fines	25,330		50,000		(24,670)		-49.34%
Third Party Payments	-		-		-		0.00%
Stock Adjustments	-		-		-		0.00%
Actuarial Gains	-		-		-		0.00%
Property Rates - Penalties & Collection Charges	4,970,526		6,881,240		(1,910,714)		-27.77%
Service Charges	105,617		84,900		20,717		24.40%
Rental of Facilities and Equipment	243,583		170,000		73,583		43.29%
Interest Earned - External Investments	794,406		812,000		(142,406)		-23.27%
Interest Earned - Outstanding Debtors	15,731		13,900		1,831		13.18%
Licences and Permits	101,453		100,000		1,453		1.45%
Agency Services	248,568		38,500		212,068		581.01%
Other Revenue	-		-		-		0.00%
Unamortised Discount - Interest	-		-		-		0.00%
Dividends Received	-		-		-		0.00%
Contributed PPE	-		-		-		0.00%
	20,124,232		33,182,490		(13,058,258)		-24.50%

## Expenditure by nature

Employee related costs	(5,028,017)		(5,726,280)		697,263		-8.48%
Remuneration of Councilors	(1,421,457)		(1,474,510)		53,053		-1.83%
Debt Impairment	(2,696,463)		(390,000)		(2,306,463)		74.73%
Collection costs	-		-		-		0.00%
Increase in Provision for Rehabilitation of Landfill Site	(238,727)		(189,800)		(48,927)		11.42%
Depreciation and Amortisation	(1,439,993)		(1,449,910)		9,917		-0.34%
Items of PPE Derecognised	(3,835)		(3,835)		-		100.00%
Repairs and Maintenance	(789,943)		(1,019,000)		229,057		-12.66%
Unamortised discount - Interest	(498,930)		(498,940)		10		0.00%
Actuarial losses	-		-		-		0.00%
Finance Charges	(361,319)		(358,110)		(3,209)		0.45%
Bulk Purchases	(3,163,904)		(2,860,000)		(303,904)		5.04%
Contracted services	(243,601)		(232,000)		(11,601)		2.44%
Grants and Subsidies Paid	(68,044)		-		(68,044)		0.00%
Donations	(5,889,093)		(7,538,600)		1,648,507		-12.28%
General Expenses	-		-		-		0.00%
Changes in Fair Value	-		-		-		0.00%
	(21,844,345)		(21,737,150)		(107,195)		0.25%

## Other Gains/Losses

Loss on disposal of Property, Plant and Equipment	-		-		-		0.00%
Gain on disposal of Property, Plant and Equipment	-		-		-		0.00%

## Net Surplus for the year

	(1,720,113)		11,445,340		(13,165,453)		#DIV/0!
	(1,720,113)		11,445,340		(13,165,453)		-135.37%

## Details of material variances

Over expenditure due to provision for the Impairment of Trade Receivables

49.2

## Expenditure by Vote

Executive and Council	(2,389,290)		(2,684,720)		295,430		-5.82%
Finance and Administration	(5,105,778)		(6,935,230)		1,829,452		-15.19%
Planning and Development	(334,297)		(482,050)		147,753		-18.10%
Community and Social Services	(2,601,070)		(2,871,450)		270,380		-4.94%
Housing	(206,015)		(208,000)		1,985		-0.48%
Public Safety	(6,062)		(35,500)		29,448		-70.87%
Sport and Recreation	(361,590)		(417,050)		55,460		-7.12%
Environmental Protection	-		-		-		0.00%
Waste Management	(1,528,124)		(1,304,000)		(224,124)		7.91%
Waste Water Management	(1,851,481)		(1,730,630)		(120,851)		3.37%
Road Transport	(548,734)		(639,320)		89,586		-7.53%
Water	(4,925,894)		(2,819,430)		(2,306,464)		30.57%
Electricity	(2,695,360)		(2,911,910)		16,550		-0.28%
Other	(719,435)		(730,000)		13,565		-0.94%
Less Internal Charges	1,626,756		1,762,140		(135,384)		-3.99%
	(21,844,345)		(21,807,150)		(37,195)		0.09%

## Details of material variances

Over expenditure due to provision for the Impairment of Trade Receivables

KHALMA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

49.3

Capital expenditure by vote

	2010 R	2010 R	2010 R	2010 R	2010 R
	(Actual)	(Budget)	(Variance)	(Variance)	(%)
Executive and Council	273,940	726,000	(452,060)		-45.21%
Finance and Administration	-	-	-		0.00%
Planning and Development	-	-	-		0.00%
Community and Social Services	225,264	231,700	(6,436)		-1.41%
Housing	-	-	-		0.00%
Public Safety	-	-	-		0.00%
Sport and Recreation	-	-	-		0.00%
Environmental Protection	-	-	-		0.00%
Waste Management	-	-	-		0.00%
Waste Water Management	94,581	925,000	(830,419)		-81.45%
Road Transport	490,614	1,750,000	(1,259,386)		-56.21%
Water	323,399	7,652,900	(7,329,501)		-91.89%
Electricity	1,355	750,000	(748,645)		-98.64%
Other	-	-	-		0.00%
	1,409,154	12,035,600	(10,626,446)		-375.80%

Details of material variances

Under expenditure due to political instability within the municipality which resulted in projects not being started

50

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

50.1

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance -  
Unauthorised expenditure current year -  
Approved by Council or condoned -  
Transfer to receivables for recovery -

	-	2,651,419	15,799,896	
	-	-	(15,799,896)	
	-	2,651,419	-	

Unauthorised expenditure awaiting authorisation

Incident	Disciplinary steps/criminal proceedings
A council resolution was passed on the 30 June 2008 to utilise R880,000 of the municipal infrastructure grant funds for operating expenditure. The funds were invested again on 27 July 2008. (2008/2009)	Approved by Council
A council resolution was passed to utilise R1 700 000 of the municipal infrastructure grant funds for operating expenditure. The funds have not been invested again. (2008/2009)	Approved by Council
Over expenditure of approved budget for the previous financial year - R14,059,896 (2008/2009)	Approved at special meeting held on the 24th of November 2009. A report will be submitted to council for approval.
Over expenditure of approved budget for the current financial year - R2,651,419 (2009/2010)	

50.2

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance -  
Fruitless and wasteful expenditure current year -  
Condoned or written off by Council -  
Transfer to receivables for recovery - not condoned -

	543,932	543,932	
	273,098	(5,544)	
	-	-	
	811,486	543,932	

Fruitless and wasteful expenditure awaiting condonement

Incident	Disciplinary steps/criminal proceedings
Interest paid to Supplier: Eskom - R4 136 (2008/2009)	To be Investigated
Additional payment to MD Paavo - R1 405 (2008/2009)	Approved by council on 24 November 2009
Legal Fees - R205,055 (2008/2009; R538,388)	None
Donations made in not allowed in terms of the MFMA - R68,044 (2009/2010)	None

50.3

Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance -  
Irregular expenditure current year -  
Approved by National Treasury -  
Transfer to receivables for recovery - not condoned -  
Irregular expenditure awaiting condonement -

	15,744,595	515,886	
	2,983,221	15,228,729	
	-	-	
	18,727,815	15,744,595	

# KHAL-MA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Incident	Disciplinary steps/criminal proceedings
Theft of NATIS Funds - SAPS case number V8280/06/2008 - R14 505 (2008/2009)	Disciplinary hearing date not yet determined
Theft of Deposit - SAPS case number MAS 157/02/08 - R3 370 (2008/2009)	SAPD busy with the investigation
Theft of Electricity Pre-paid Funds - SAPS case number MAS 57/02/2009-MAS 84/6 - R29 847 (2009/2009)	SAPD busy with the investigation
Theft of Electricity Pre-paid Funds - R41 910 (2008/2009)	Disciplinary hearing date not yet determined
Salary increases of section 57 employees not approved by council (2008/2009)	
- P.J. Baker - R 22 430	To be investigated
- N. Jano - R 22 430	To be investigated
Bonusses paid to section 57 employees without performance evaluations performed (2008/2009)	
- P.J. Baker - R 15 888	To be investigated
- N. Jano - R 15 888	To be investigated
- LD Beukes - R18 325	To be investigated
Unspent grants of R1 871 641 was not cash-backed on 30 June 2010. These grants was used to finance operating expenditure. The funds was paid back to NT Treasury during 2010/2011. (2009/2010)	Approved by Mayor and Municipal Manager. A report will be submitted to National Treasury for approval.
Deviations of R1 111 580 from Supply Chain Management Regulations. (2009/2010)	Approved by Mayor and Municipal Manager. A report will be submitted to National Treasury for approval.

51

## ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

### Contributions to organised local government - IMFMA 125 (1)(b)I - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	109,838	24,180
Amount paid - current year	(109,838)	(24,180)
Amount paid - previous years	-	-
<b>Balance unpaid (Included in creditors)</b>	-	-

51.2

### Audit fees - IMFMA 125 (1)(b)I

Opening balance	1,349,850	911,243
Current year audit fee	523,341	717,579
External Audit - Auditor-General		
Internal Audit		
Audit Committee		
Amount paid - current year	523,341	717,579
Amount paid - previous year	-	-
<b>Balance unpaid (Included in creditors)</b>	(497,501)	(278,972)
	1,376,690	1,349,850

51.3

### VAT - IMFMA 125 (1)(b)I

Opening balance	-	-
Amounts received - current year	-	-
Amounts claimed - current year (payable)	-	-
Amount paid - current year	-	-
Amount paid - previous year	-	-
<b>Closing balance</b>	-	-

51.4

### PAYE and UIF - IMFMA 125 (1)(b)I

Opening balance	-	-
Current year payroll deductions	870,605	719,797
Amount paid - current year	(870,605)	(719,797)
<b>Balance unpaid (Included in creditors)</b>	-	-

51.5

### Pension and Medical Aid Deductions - IMFMA 125 (1)(b)I

Opening balance	-	-
Current year payroll deductions and Council Contributions	995,246	1,054,477
Amount paid - current year	(995,246)	(1,054,477)
Amount paid - previous year	-	-
<b>Balance unpaid (Included in creditors)</b>	-	-

**KHAL-MA MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**51.6**

**Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2010:

The following Councillors had arrear accounts for more than 90 days as at :

**30th June 2009**

	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor M. Groenewaldt	7,515	1,114	6,401
Councillor S.S. Brandt	3,678	1,487	2,191
Councillor P.X.J. van Rooyen	821	821	
Councillor J.J. Swartbooi	1,519	1,412	107

Highest Amount Outstanding	Ageling
6,401	90 days +

**Councillor M. Bruintjies**

The following Councillors had arrear accounts outstanding for more than 90 days during the year:

**30th June 2010**

	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor M. Groenewaldt	5,478	852	4,626
Councillor S.S. Brandt	2,116	543	1,573
Councillor J.J. Swartbooi	549	301	248
Councillor A.E. Diergaardt	7,596	913	6,683

Highest Amount Outstanding	Ageling
6,683	90 days +

**Councillor M. Bruintjies**

**51.7 Non-compliance with Division of Revenue Act**

Unspent grants of R1 871 641 was not cash-backed on 30 June 2010. These grants was used to finance operating expenditure. The funds was paid back to NT Treasury during 2010/2011.

**51.8**

**Non-compliance with Chapter 14 of the Municipal Finance Management Act**

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Andrag	-	54,201	-	-
Built-it	-	46,753	-	-
Gordonia Cooling	-	31,101	-	-
Hondulu Mica	-	46,408	-	-
KLK	-	31,212	-	-
Mubeko Africa	-	309,571	-	-
Radmax Valves	-	64,647	-	-
Ravannar	-	271,091	-	-
TOSAS	-	103,397	-	-
Upington Tyres	-	30,400	-	-
Upington Gearbox Centre	-	36,233	-	-
SA Post Office	4,500	-	-	-
Blue Skye Music	12,005	-	-	-
URB	-	70,061	-	-
	16,505	1,095,075	-	-

**51.9**

**Material losses - [MFMA 125 (2)(d)]**

The following material distribution losses incurred during the year:

	2010 R	2009 R
Water (%)	17.00	14.00
Water (Rand Value)	556,624	368,977
Electricity (%)	13.11	16.30
Electricity (Rand Value)	507,384	474,236
The municipality provides water services to indigent consumers. Consumptions used by indigent consumers are more than the free 6kl water they received. No action was taken to recover the additional consumptions from indigent consumers and based on history, outstanding amounts are not paid by indigent consumers. The cost to provide these services amounts to:	722,380	505,366

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010 R	2009 R
-----------	-----------

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**The municipality does not engage in foreign currency transactions.**

**The municipality is not exposed to price risk.**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

0.5% (2009 - 0.5%) Increase in interest rates  
0.5% (2009 - 0.5%) Decrease in interest rates

30,649  
(30,649)

# KHAI-MA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
Electricity	1.12%	41,051	3.43%	32,789
Water	75.58%	2,760,467	65.45%	625,769
Refuse	10.93%	399,367	7.37%	70,454
Sewerage	8.20%	299,631	8.25%	78,866
Taxes - Rates	4.16%	151,923	15.49%	148,078
	100.00%	3,652,439	100.00%	855,956

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

	2010 R	2009 R
Investments	-	-
Long Term Receivables	-	-
Trade receivables from exchange transactions	1,258,528	2,434,267
Other receivables from non-exchange transactions	1,707,227	967,303
Other Debtors	-	-
Taxes	402,914	324,338
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	7,222,729	3,078,185
Bank and Cash Balances	100	100
<b>Maximum Credit Risk Exposures</b>	<b>10,591,498</b>	<b>6,804,192</b>



# KHAI-MA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### (d) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2010	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
Long Term liabilities	629,561	418,772	-	-
Capital repayments Interest	588,905 40,657	408,904 9,867	-	-
Trade and Other Payables	4,301,648	-	-	-
Unspent conditional government grants and receipts	8,894,384	-	-	-
	<b>13,825,574</b>	<b>418,772</b>	-	-
2009				
Long Term liabilities	629,561	1,048,333	-	-
Capital repayments Interest	558,091 71,470	997,809 50,524	-	-
Trade and Other Payables	5,057,585	-	-	-
Unspent conditional government grants and receipts	2,750,861	-	-	-
	<b>8,437,808</b>	<b>1,048,333</b>	-	-

55

### FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

Financial Assets	Classification	2010 R	2009 R
Investments			
Fixed Deposits	Held to maturity	-	-
Long-term Receivables			
Staff Loans	Loans and Receivables	-	-
Consumer Debtors			
Trade receivables from exchange transactions	Loans and Receivables	1,258,528	2,434,287
Other receivables from non-exchange transactions	Loans and Receivables	1,707,227	967,303
Other Debtors			
VAT	Loans and Receivables	402,914	324,338
Current Portion of Long-term Receivables			
Staff Loans	Loans and Receivables	-	-
Short-term Investment Deposits			
Call Deposits	Held to maturity	7,222,729	3,078,185
Bank Balances and Cash			
Bank Balances	Held to maturity	-	-
Cash Floats and Advances	Held to maturity	100	100
Financial Liability	Classification		
Non-Current Liabilities			
Long-term Liabilities	Loans and Payables	971,985	1,531,927
Current Liabilities			
Trade and other payables	Loans and Payables	4,301,648	5,057,585
Unspent Conditional Grants	Loans and Payables	8,894,384	2,750,861
Consumer Deposits	Loans and Payables	54,448	47,767
Taxes	Loans and Payables	-	-
Bank Balances and Cash			
Bank Balances	Held to maturity	729,687	555,819

56

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
<b>SUMMARY OF FINANCIAL ASSETS</b>		
<b>Held to maturity:</b>		
Investments	-	-
Short-term Investment Deposits	7,222,729	3,078,185
Bank Balances	-	-
Cash Floats and Advances	100	100
	<u>7,222,829</u>	<u>3,078,285</u>
<b>Loans and Receivables</b>		
Long-term Receivables	-	-
Consumer Debtors	1,258,528	2,434,287
Other Debtors	1,707,227	987,303
Current Portion of Long-term Receivables	-	-
VAT	402,914	324,338
	<u>3,368,669</u>	<u>3,725,907</u>
<b>Total Financial Assets</b>	<u>10,591,498</u>	<u>6,804,192</u>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>		
<b>Held to maturity:</b>		
Bank Balances	729,987	555,619
	<u>729,987</u>	<u>555,619</u>
<b>Loans and Payables</b>		
Long-term Liabilities	971,985	1,531,927
Trade and other payables	4,301,648	5,057,585
Unspent Conditional Grants	8,894,364	2,750,661
Consumer Deposits	54,448	47,767
Taxes	-	-
	<u>14,222,445</u>	<u>9,387,940</u>
<b>Total Financial Liabilities</b>	<u>14,952,132</u>	<u>9,943,558</u>
<b>EVENTS AFTER THE REPORTING DATE</b>		
The Municipality is not aware of any events after the reporting date that can affect the annual financial statements.		
<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
None		
<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
Council has not entered into any private public partnerships during the financial year.		
<b>COMPARISON WITH THE BUDGET</b>		
The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".		
<b>CONTINGENT LIABILITY</b>		
The municipality is not aware of any contingent liabilities.		

# KHALMA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2009  
R

2010  
R

61

### RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

#### 61.1 Related Party Transactions

	Rates	Service Charges	Other	Outstanding Balances
<b>Year ended 30 JUNE 2010</b>				
Councillors		15,739	-	15,739
Municipal Manager and Section 57 Employees	619	1,463	-	2,082
<b>Year ended 30 JUNE 2009</b>				
Councillors	963	12,570	-	13,533
Municipal Manager and Section 57 Employees	552	1,360	-	1,912

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

#### 61.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 20 to the Annual Financial Statements.

#### 61.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 35 to the Annual Financial Statements.

#### 61.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Councillor/Staff Member Entity

### 62 Process to comply fully with the Implementation of General Recognised Accounting Practices

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2010.

### 63 Exemptions taken according to those in Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

#### 63.1 GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment.

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

#### 63.2 GRAP 100 -Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise non-current assets held for sale and discontinued operations relating to inventories, investment properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards:

# KHAI-MA MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### 63.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment Properties:

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land with undetermined use;		
Land;	R	-
Buildings; and	-	R
Land and Buildings.	-	-
Total not previously recognised now restated retrospectively	-	-

### 63.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software;

Intangible assets financed by way of finance leases;

Intangible assets transferred as a result of the transfer of functions; and

Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;		
Accumulated amortisation on computer software	-	-
Total not previously recognised now restated retrospectively	-	-

### 63.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following Inventories:

Water;

Land held for sale; and

Other (list).

The municipality is currently in a process of identifying all Inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following Inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water;		
Land held for sale; and	R	-
Other (list).	-	-
	-	-

### 63.6 GRAP 17 - Property, Plant and Equipment

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 13

### 64 Going Concern

During the current financial year the Municipality experienced severe cash flow problems. The is due to the fact that the Municipality has a very small income base because of to the severe number of unemployed households within the region. The Municipality is dependant on grant funding due to the small income base. Should the Equitable Share not be increased substantially in the future, the Municipality will be faced with serious going concern problems.

APPENDIX A

KHAI-MA MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Received during the period	Redeemed during the period	Balance at 30 JUNE 2010
LONG-TERM LOANS							
Stock Loan				-	-	-	-
Total Long-term Loans				-	-	-	-
ANNUITY LOANS							
Administration/Finance Loan				-	-	-	-
ABSA	14.00%	SR Potadder	30/06/2012	57,717	16,702	41,014	41,014
DBSA	5.00%	NC102355.1.	29/02/2012	1,439,367	517,415	921,952	921,952
Total Annuity Loans				1,497,084	534,118	962,966	962,966
GOVERNMENT LOANS							
Other				-	-	-	-
Total Government Loans				-	-	-	-
LEASE LIABILITY							
AOT FINANCE	7.46%	GESTETNER DMS622	31/10/2010	34,843	25,824	9,019	9,019
Total Lease Liabilities				34,843	25,824	9,019	9,019
TOTAL EXTERNAL LOANS				1,531,927	659,942	971,985	971,985

Carrying Value of Property, Plant & Equipment	-
Other Costs in accordance with the MFMA	-

APPENDIX B

KHAI MA MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Carrying Value	Cost/Revaluation													Accumulated Depreciation			
	Opening Balance	Correction of Error	Additions	Revaluation	Impairments	Closing Balance	Opening Balance	Correction of Error	Additions	Revaluation	Impairments	Closing Balance	Value				
Land and Buildings	24,377,095	53,100	-	-	-	24,430,195	24,430,195	1,847,309	-	-	-	24,143	24,430,195				
	1,847,309	-	-	-	-	1,847,309	287,064	-109,901	84,289	-	-	241,453	1,605,696				
	28,224,404	53,100	-	-	-	28,277,504	287,064	-109,901	84,289	-	-	241,453	28,036,051				
	2,879,401	-	-	-	-	3,357,042	1,114,904	-	87,490	-	-	1,202,394	2,154,647				
	20,121	-	-	-	-	20,121	9,157	-	3,693	-	-	12,650	7,272				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	3,481,399	93,225	-	-	-	3,575,980	825,992	-	161,121	-	-	987,113	2,588,987				
	2,840,828	-	-	-	-	2,842,184	1,716,569	-	110,890	-	-	1,827,959	1,014,624				
	10,715,379	40,850	-	-	-	11,038,778	7,615,518	-	287,852	-	-	7,905,762	3,133,015				
	19,937,129	-	134,075	-	-	20,834,105	11,282,140	2,393	851,146	-	-	11,935,679	8,898,426				
Community Assets	6,337,635	-	69,222	-	-	6,337,635	428,576	-	138,998	-	-	567,573	5,770,061				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	59,222	-	-	2,903	-	-	2,903	56,319				
	3,288,883	-	194,607	-	-	3,483,691	645,606	-	116,183	-	-	663,790	2,820,101				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
Heritage Assets	9,628,618	-	254,129	-	-	9,880,747	974,192	-	260,083	-	-	1,234,266	8,646,482				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total carried forward	55,728,151	53,100	388,205	-	-	56,992,356	12,523,387	-107,508	995,518	-	-	13,411,397	43,580,959				

**APPENDIX B**  
**KHAI MA MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

Total brought forward	Opening Balance	Correction of Error	Additions	Revaluation	Impairments	Coal	Under Construction	Residual Value Disposals	Closing Balance	Opening Balance	Correction of Error	Additions	Revaluation	Impairments	Accumulated Depreciation	Carrying Value
	55,768,151	53,100	388,205	-	-	-	762,901	-	56,992,356	12,523,387	-107,508	995,518	-	-	-	43,680,859
Housing Rental Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased Assets	114,399	-	-	-	-	-	-	-	114,399	87,706	-	22,680	-	-	-	-
Office Equipment	114,399	-	-	-	-	-	-	-	114,399	87,706	-	22,680	-	-	-	-
Other Assets	12,081	-	-	-	-	-	-	-	12,081	1,663	-	604	-	-	-	-
Landfill Sites	235,739	-	44,417	-	-	-	-	-	280,156	62,488	-	37,834	-	-	-	-
Office Equipment	241,259	-	-	-	-	-	-	-	234,079	52,768	-	20,393	-	-	-	-
Furniture and Fittings	224	-	-	-	-	-	-	-	224	64	-	32	-	-	-	-
Bins and Containers	10,207	-	-	-	-	-	-	-	10,207	2,937	-	1,454	-	-	-	-
Emergency equipment	2,465,183	-	-	-	-	-	-	-	2,465,183	674,415	-	303,556	-	-	-	-
Motor Vehicles	383,887	-	12,974	-	-	-	-	-	396,861	108,416	-	48,727	-	-	-	-
Plant and Equipment	-	-	200,659	-	-	-	-	-	200,658	-	-	3,455	-	-	-	-
Computer Equipment	3,348,580	-	258,049	-	-	-	-	-	3,599,448	800,951	-	416,056	-	-	-	-
Total Property, Plant and Equipment	59,251,129	53,100	648,253	-	-	-	762,901	-	60,706,203	13,512,044	-107,508	1,434,454	-	-	-	-

**APPENDIX C**  
**KHAI-MA MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**  
**GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation										Accumulated Depreciation									
	Opening Balance	Correction of Error	Additions	Revaluation	Under Construction	Closing Balance	Opening Balance	Correction of Error	Additions	Disposals	Impairments	Closing Balance	Carrying Value							
Executive & Council	797,538	-	273,940	-	-	1,064,298	261,059	-	105,539	-	-	359,553	704,745							
Budget & Treasury Office	24,403,819	53,100	-	-	-	24,456,919	48,180	-	1,336	-	-	49,516	24,407,403							
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-	-							
Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-	-							
Health	7,226,023	-	225,264	-	-	7,451,287	1,149,848	(109,901)	524,947	-	-	1,564,893	5,886,394							
Community & Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-							
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-							
Public Safety	6,416,635	-	-	-	-	6,416,635	431,209	-	141,119	-	-	572,328	5,844,307							
Sport & Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-							
Environmental Protection	116,468	-	-	-	-	116,468	34,148	-	7,379	-	-	41,527	74,941							
Waste Management	3,796,256	-	93,225	-	-	3,890,837	1,128,935	-	161,783	-	-	1,290,718	2,600,119							
Waste Water Management	2,879,401	-	12,974	-	-	2,892,375	1,114,904	-	87,922	-	-	1,202,827	2,167,189							
Road Transport	10,766,861	-	40,850	-	-	11,090,261	7,624,519	2,393	292,229	-	-	7,919,141	3,171,120							
Water	2,848,128	-	-	-	-	2,848,128	1,719,242	-	112,200	-	-	1,831,442	1,018,041							
Electricity	69,261,129	53,100	646,263	-	-	60,708,203	13,512,043	(107,608)	1,434,454	-	-	14,831,944	45,874,269							



## 64

2009	2009	2009
Actual	Actual	Actual
Income	Expenditure	Surplus/
R	R	(Deficit)
14,049	(2,524,488)	(2,510,439)
18,624,057	(4,147,361)	14,476,697
43,174	(446,039)	(402,865)
1,813,832	(6,085,285)	(4,271,453)
1,478,404	(1,478,404)	-
-	(6,845)	(6,845)
-	(543,536)	(543,536)
-	-	-
391,314	(1,530,513)	(1,139,199)
1,374,812	(2,039,573)	(664,761)
177,091	(815,911)	(638,820)
2,899,499	(5,972,973)	(3,073,474)
2,372,683	(2,554,167)	(181,484)
6,123,205	(426,038)	5,697,167
35,312,121	(28,571,134)	6,740,987
		Sub Total
		Less Inter-Departmental Charges
(1,626,756)	1,626,756	-
33,685,365	(26,944,378)	6,740,987
		Total
2010	2010	2010
Actual	Actual	Actual
Income	Expenditure	Surplus/
R	R	(Deficit)
14,592,145	(2,389,290)	797,145
(1,396,429)	(5,105,778)	3,709,349
(320,534)	(334,297)	13,763
(506,550)	(2,601,070)	2,094,521
-	(206,015)	206,015
(6,052)	(6,052)	-
(354,308)	(361,590)	7,282
-	-	-
(1,088,947)	(1,528,124)	439,178
(1,114,106)	(1,851,461)	737,355
83,430	(549,734)	633,164
(2,926,039)	(4,925,894)	1,999,855
39,963	(2,895,360)	2,935,324
7,461,602	(716,435)	8,178,037
(1,720,114)	(23,471,101)	21,750,987
-	1,626,756	(1,626,756)
		Total
(1,720,114)	(21,844,345)	20,124,231

**APPENDIX E(1)**  
**KHAI-MA MUNICIPALITY**  
**REVENUE AND EXPENDITURE**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**MUNICIPAL VOTES CLASSIFICATION**

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	1,502,143	1,604,340	(2,197)	-0.14%	
Government Grants and Subsidies	12,053,865	23,629,610	(11,575,745)	-48.99%	Capital projects delayed-tender procedures
Public Contributions and Donations	3,000	-	3,000	0.00%	
Fines	25,330	50,000	(24,670)	-49.34%	Law enforcement inadequate
Third Party Payments	-	-	-	0.00%	
Stock Adjustments	-	-	-	0.00%	
Actuarial Gains	-	-	-	0.00%	
Property Rates - Penalties & Collection Charges	-	-	-	0.00%	
Service Charges	4,970,526	6,881,240	(1,910,714)	-27.77%	
Rental of Facilities and Equipment	105,617	84,900	20,717	24.40%	More rentals
Interest Earned - External Investments	243,593	170,000	73,593	43.29%	More funds invested during the year
Interest Earned - Outstanding Debtors	754,406	612,000	142,406	23.27%	Non payment of municipal charges
Licences and Permits	15,731	13,900	1,831	13.18%	
Agency Services	101,453	100,000	1,453	1.45%	
Other Revenue	248,568	36,500	212,068	581.01%	More other income received
Unamortised Discount - Interest	-	-	-	0.00%	
Dividends Received	-	-	-	0.00%	
Contributed PPE	-	-	-	0.00%	
Gains on Disposal of PPE	-	-	-	0.00%	
<b>Total Revenue</b>	<b>20,124,232</b>	<b>33,182,490</b>	<b>(13,058,258)</b>	<b>5</b>	
<b>EXPENDITURE</b>					
Executive and Council	(2,389,290)	(2,684,720)	295,430	-11.00%	
Finance and Administration	(5,105,778)	(6,935,230)	1,829,452	-26.38%	Underspending of grants
Planning and Development	(334,287)	(482,050)	147,753	-30.65%	Salary expenditure lower due to vacancies
Community and Social Services	(2,601,070)	(2,871,450)	270,380	-9.42%	
Housing	(206,015)	(208,000)	1,985	-0.95%	
Public Safety	(6,052)	(35,500)	29,448	-82.95%	Less expenditure incurred
Sport and Recreation	(361,590)	(417,050)	55,460	-13.30%	
Environmental Protection	-	-	-	0.00%	
Waste Management	(1,528,124)	(1,304,000)	(224,124)	17.19%	Provision for bad debts
Waste Water Management	(1,851,461)	(1,730,630)	(120,831)	6.98%	
Road Transport	(549,734)	(639,320)	89,586	-14.01%	Savings general expenditure
Water	(4,925,894)	(2,619,430)	(2,306,464)	88.05%	Provision for bad debts
Electricity	(2,895,360)	(2,911,910)	16,550	-2.27%	
Other	(716,435)	(730,000)	13,565	0.77%	
Less Internal Charges	1,826,756	1,782,140	(44,616)	0.62%	
<b>Total Expenditure</b>	<b>(21,844,345)</b>	<b>(21,807,150)</b>	<b>(37,195)</b>	<b>(1)</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>(1,720,113)</b>	<b>11,375,340</b>	<b>(13,095,453)</b>	<b>5</b>	

**APPENDIX E (2)**  
**KHAI-MA MUNICIPALITY**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**  
**ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS**  
**MUNICIPAL VOTES CLASSIFICATION**

2010	Actual	2010	Under	2010	Total	2010	Budget	2010	Variance	2010	Variance	Explanation of Significant Variances greater than 5% versus Budget
	R		R		R		R		R		%	
Executive and Council	273,940	-	273,940	726,000	(452,060)	-62.27%	Project delayed due to unappropriated tender procedures	0.00%	-	0.00%	-	
Finance and Administration	-	-	-	-	-	0.00%	-	0.00%	-	0.00%	-	
Planning and Development	-	-	-	-	-	0.00%	-	0.00%	-	0.00%	-	
Community and Social Services	225,264	-	225,264	231,700	(6,436)	-2.78%	-	0.00%	-	0.00%	-	
Housing	-	-	-	-	-	0.00%	-	0.00%	-	0.00%	-	
Public Safety	-	-	-	-	-	0.00%	-	0.00%	-	0.00%	-	
Sport and Recreation	-	-	-	-	-	0.00%	Project delayed due to unappropriated tender procedures	0.00%	-	0.00%	-	
Environmental Protection	-	-	-	-	-	0.00%	-	0.00%	-	0.00%	-	
Waste Management	-	-	-	-	-	0.00%	-	0.00%	-	0.00%	-	
Waste Water Management	94,581	-	94,581	925,000	(830,419)	-89.78%	Project delayed due to unappropriated tender procedures	-89.78%	Project delayed due to unappropriated tender procedures	-89.78%	-	
Road Transport	490,614	-	490,614	1,750,000	(1,259,386)	-71.96%	Project delayed due to unappropriated tender procedures	-71.96%	Project delayed due to unappropriated tender procedures	-71.96%	-	
Water	323,399	-	323,399	7,652,900	(7,329,501)	-95.77%	Project delayed due to unappropriated tender procedures	-95.77%	Project delayed due to unappropriated tender procedures	-95.77%	-	
Electricity	1,355	-	1,355	750,000	(748,645)	-99.82%	Project delayed due to unappropriated tender procedures	-99.82%	Project delayed due to unappropriated tender procedures	-99.82%	-	
Other	-	-	-	-	-	0.00%	-	0.00%	-	0.00%	-	
<b>Total</b>	<b>1,409,154</b>	<b>-</b>	<b>1,409,154</b>	<b>12,035,600</b>	<b>(10,626,446)</b>							

**APPENDIX F**  
**KHAI-MA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 66 OF 2003**

Grant Description	Balance 1 JULY 2009	Correction of error	Related balance 1 JULY 2009	Contributions during the year on Investments	Trade Payables	Operating Expenditure during the year	Capital Expenditure during the year	VAT Recognised as Income	Repaid to NT	Balance 30 JUNE 2010
	R	R	R	R	R	R	R	R	R	R
<b>TRUST FUNDS</b>										
DWAF ( Donor funds)	-	-	-	-	-	-	-	-	-	-
Namakwa Districts Municipality- Repair of Pumps	326,796	-	326,796	-	-	-	72,921	-	-9,450	244,425
Department of Housing and Local Government-Operating	-	-	-	-	-	-	-	-	-	-
Namakwa District Municipality - Job Creation	-	-	-	-	-	-	-	-	-	-
Namakwa District Municipality - Capital	-	-	-	-	-	-	-	-	-	-
DPLG - Equitable share	-	-	-	-	-	-	-	-	-	-
Finance Management Grant	976,160	-	976,160	2,750,000	-	1,357,841	669,875	93,783	-976,160	628,502
Municipal System Improvement Grant	736,267	-	736,267	850,000	-	220,059	199,082	9,662	-736,267	629,941
Department Sport Arts and Culture - Library Development	259,998	-	259,998	305,000	-	196,530	259,375	2,163	-	159,724
Provincial Infrastructure Grant	24,363	-	24,363	-	-	15,450	-	-	-	6,750
Municipal Infrastructure Grant- National	233,939	-	233,939	6,849,000	-	259,375	-	39,544	-150,550	6,633,471
Municipal Infrastructure Grant- Provincial	-	-	-	-	-	-	-	-	-	-
Department Environmental Affairs and Conservation	41,764	-	41,764	-	-	206,015	-	-	-	41,764
Department of Housing and Local Government - Housing	87,994	-	87,994	123,136	-	-	-	-	-	5,115
LGSETA	42,030	-	42,030	4,179	-	21,458	-	-	-	24,751
DBSA Grant	12,169	-	12,169	-	-	12,169	-	-	-	-
Namakwa Diamond Fund Trust	9,181	-	9,181	-	-	-	-	-	-	-
<b>Total</b>	<b>2,750,661</b>	<b>-</b>	<b>2,750,661</b>	<b>20,219,169</b>	<b>-</b>	<b>10,218,288,44</b>	<b>1,835,577,03</b>	<b>149,173,72</b>	<b>-1,872,426,89</b>	<b>8,894,364</b>
<b>PUBLIC CONTRIBUTIONS</b>										
BVI Engineers	-	-	-	2,000	-	2,000	-	-	-	-
Black Mountain	-	-	-	1,000	-	1,000	-	-	-	-
	-	-	-	3,000	-	3,000	-	-	-	-

## **ANNEXURE C**

# AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE KHAI- MA MUNICIPAL COUNCIL

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

I have audited the accompanying financial statements of the Khai-Ma Local Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages xx to xx.

### Accounting officer's responsibility for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Khai- Ma Local Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP and in the manner required by the MFMA.

## **Emphasis of matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Going concern**

As disclosed in note 64 to the financial statements, the municipality is based in an area with little economic activity and the majority of community members are classified as indigents. This situation resulted in cash flow problems, which cast doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial government grants for its continued existence.

## **Unauthorised expenditure**

As disclosed in note 50.1 to the financial statements, unauthorised expenditure to the amount of R2 651 419 was incurred, as a result of exceeding budget the limits for expenses.

### **Fruitless and wasteful expenditure**

As disclosed in note 50.2 to the financial statements, fruitless and wasteful expenditure to the amount of R273 098 was incurred, as care was not taken to avoid legal costs.

### **Irregular expenditure**

As disclosed in note 50.3 to the financial statements, irregular expenditure to the amount of R2 983 221 was incurred during the year as a result of:

- non-compliance with the supply chain management policy amounting to R1 111 580
- non-compliance with DoRA due to the utilisation of municipal infrastructure grants for operating purposes amounting to R1 871 641.

### **Restatement of corresponding figures**

As disclosed in the note 50.2 to the financial statements, the corresponding figures have been restated as a result of an error discovered during the audit for the year ending 30 June 2010. The municipality did not disclose avoidable legal costs as fruitless and wasteful expenditure incurred during the 2008-09 financial year in the annual financial statements of that year amounting to R538 388.

## **Material losses**

As disclosed in the note 51.8 to the financial statements, material losses amounting to R1 786 388 were suffered due to insufficient monitoring of the electricity and water reticulation systems and non-implementation of credit control policies:

### **Additional matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Material inconsistencies in other information included in the annual report**

I have not obtained the annual report and therefore have not been able to identify any material inconsistencies with the financial statements.

### **Unaudited supplementary schedules**

The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with its legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget and appendices A to F as set out on pages 60 to 67 do not form part of the financial statements and are presented as additional information. Accordingly I do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In terms of the PAA and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the MFMA, Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA), Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), Local Government: Municipal Structures Act of South Africa, 1998 (Act No. 117 of 1998) and Municipal Planning and Performance Management Regulations, 2001, and financial management (internal control).

#### **Predetermined objectives**

#### **Non-compliance with regulatory and reporting requirements**

##### **Municipal Systems Act**

Contrary to section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), the municipality did not prepare an annual performance report for the financial year ended 30 June 2010.

Contrary to section 38 of the MSA, the municipality did not have a performance management system in place.

Contrary to section 34(a)(i) and (ii) of the MSA, the municipality reviewed its IDP even though no performance review was done during the 2008-09 financial year.

Contrary to section 57(1)(b) of the MSA, the municipality did not sign performance agreements between the mayor and the accounting officer, and between the accounting officer and section 57 managers directly accountable to him.



### **Municipal Finance Management Act**

Contrary to section 72(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), the accounting officer did not assess the performance of the municipality during the first half of the year and did not submit any mid-year performance reports to the mayor of the municipality.

Contrary to section 69(3)(a) of the MFMA, the accounting officer did not submit a draft service delivery budget implementation plan (SDBIP) to the mayor 14 days after the budget had been approved because the municipality did not develop an SDBIP.

### **Compliance with laws and regulations**

#### **Municipal Finance Management Act**

**The audit committee has not been properly established and is not properly functioning:**

Contrary to the requirements of section 166(1) of the MFMA, the municipality did not have an audit committee in operation throughout the financial year.

**The internal audit unit has not been properly established and is not properly functioning:**

Contrary to the requirements of section 65(1) of the MFMA, the municipality did not have an internal audit unit in operation throughout the financial year.

**Expenditure was not paid within set parameters in accordance with applicable laws and regulations**

Contrary to section 65(2)(e) of the MFMA, the municipality did not pay its suppliers 30 days from the date of receipt of an invoice.

Contrary to section 65(2)(i) no creditors reconciliations were performed during the year.

**Annual budgets are not prepared and tabled within the applicable laws and regulations**

Contrary to section 16(2) of the MFMA, the annual budget was not tabled within at least 90 days before the start of the financial year.

**The mayor did not adhere to her legislative responsibilities**

Contrary to section 21(1)(b) of the MFMA, the mayor of the municipality did not at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for the budget and the IDP.

Contrary to section 52(a) and (d) of the MFMA, the mayor did not submit any quarterly reports on the implementation of the budget and the financial state of affairs at the municipality.

**The accounting officer did not adhere to his statutory responsibilities**

Contrary to section 32(4) of the MFMA, the accounting officer did not inform the mayor, the MEC for Local Government in the province and the Auditor-General, in writing, of the unauthorised and fruitless and wasteful expenses that were incurred by the municipality.

Contrary to section 70(2) of the MFMA, the accounting officer did not notify the treasury of the amount of its bank overdraft, the reasons therefor and the steps taken to correct the matter.

Contrary to section 62 of the MFMA which requires the accounting officer to, among other things, maintains effective, efficient and transparent systems of risk management and internal control, the municipality did not have a disaster recovery plan or a fraud prevention plan.

## **Division of Revenue Act**

Contrary to section 33(2) of the Division of Revenue Act, 2009 (Act No. 12 of 2009) (DoRA), the municipality spent conditional allocations for purposes other than as stipulated in the DoRA.

## **Municipal Structures Act**

Contrary to schedule 5 paragraph 7 of the Municipal Structures Act, the councillors of the municipality did not declare their interests in writing to the municipal manager.

## **INTERNAL CONTROL**

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the MFMA, DoRA, MSA, Municipal Structures Act, 1998, Municipal Planning and Performance Management Regulations, 2001 and financial management (internal control), but not for the purpose of expressing an opinion on the effectiveness of internal control.

### **Leadership**

Senior management of the municipality did not set the correct tone at the top. Senior management did not respect and adhere to internal controls, which resulted in unauthorised, irregular as well as fruitless and wasteful expenditure being incurred and not detected by management.

### **Financial and performance management**

#### **Financial management**

Senior management did not properly review the financial statements, which resulted in material amendments to the financial statements to ensure the fair presentation thereof.

In the absence of appropriate GRAP training to finance staff, management appointed external service providers to compile the financial statements.

### **Predetermined objectives**

In the absence of appropriate training on predetermined objectives to municipal staff, and an adequate performance management system, the performance of the municipality against predetermined objectives was not monitored or reported on.

### **Compliance with laws and regulations**

There were significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.

## **Governance**

### **Risk assessment**

The Khai-Ma Municipality did not conduct a risk assessment as required by the MFMA. Consequently, a number of control deficiencies were identified. These included a failure to determine the laws and regulations which the municipality has to adhere to in order to verify service delivery performance.

### **Fraud prevention plan**

The municipality has not undertaken a risk assessment to assess any risks of fraud and has consequently not developed a fraud prevention, as required by the MFMA.

### **Internal audit**

The municipality only appointed an internal auditor three months before the end of the financial year. No internal audit work was performed during the year under review.

### **Audit committee**

The municipality did not establish an audit committee. Consequently, the functions to be performed by an audit committee, notably to exercise oversight during the review period, were not performed.

*Auditor General*

Kimberley

30 November 2010



AUDITOR-GENERAL  
SOUTH AFRICA

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